FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY JUNE 9 1994

Europeans begin task of selecting new parliament

The UK, Ireland, Denmark and the Netherlands go to the polls today, opening the continent-wide voting for the European parliament. Balloting in the eight other EU states – Belgium, France, Germany, Greece, Italy, Luxembourg, Portugal and Spain – takes place on Sunday. The elections will also be seen as a popularity test for some national governments. The UK's Conservative government led by John Major is under most pressure, expected to lose about a third of its 32 seats in Europe. EU poll issues, Page 2; Editorial Comment, Page 15

Berlusconi acts to boost jobs: Italy's rightwing government led by Silvio Berlusconi announced its first major policy initiative, introducing legislation to boost employment through tax incentives and by reducing rigidities in the labour market. Page 16; EU challenge grows to Italy's neo-fascists, Page 3

Japanese budget agreed: The lower house of the Japanese parliament agreed the nation's Y73,000bn ($691.5bn) budget for the current year, two months late. Page 16

OECD set to expand: Ministers from the 25 nations of the Organisation for Economic Co-operation and Development moved towards expanding the Paris-based body by approving membership talks with South Korea and four east European countries. Page 16

United Airlines, the largest American carrier, faces the threat of a shareholder revolt over its plans to give employees a 55 per cent controlling stake in the company in exchange for labour concessions. Page 17

Oxford University honours US president:

US President Bill Clinton was awarded an honorary degree of doctor of civil law at Oxford University, England, yesterday. Oxford tried not to let the US president's visit cut too heavily into its routine, although outside the Sheldonian Theatre, where Clinton received his degree by diploma, there seemed to be enough electronics and satellite communications equipment to restart the Star Wars programme. Page 8

Euro Disney, the beleaguered leisure group, secured shareholders' agreement for a FFr13bn ($2.27bn) emergency restructuring package and announced details of FFr6bn rights issue. Page 17

Heron International has selected a group of investors led by US businessman Steven Green as the preferred buyer of Gerald Ronson's property company. Page 17

Interpol chief urges radical drugs policy: Raymond Kendall, head of Interpol, the international police group, called for the decriminalisation of drugs possession by users.

W European car sales up 12.9%: Western European new car sales rose year-on-year by an estimated 12.9 per cent in May to 1.09m, the biggest monthly increase this year. Page 4; UK truck sales jump 14.9%, Page 9

Mexico-US sugar row looms: A planned switch by Mexico's Coca-Cola bottlers from domestically produced sugar to imported corn syrup is threatening to set off a trade dispute with the US. Page 7

Russia struggles over military cash: A fierce struggle over Russia's military budget, which may affect the survival of the government, further economic reform and the political neutrality and effectiveness of the armed forces, is coming to a head in Moscow. Page 4

Tougher sanctions against Haiti: The US is expected to announce tougher economic sanctions against Haiti this week as it moves to implement recommendations from the Organisation of American States to tighten the noose on Haiti's economic elite. Page 8

Brazilian joins race to head WTO: Rubens Ricupero, Brazil's finance minister and former Gatt ambassador, has been endorsed by his government as Brazil's candidate to head the World Trade Organisation, and looks set to win wide Latin American support. Page 7

UK economic indicators appear today on Page 25.

■ STOCK MARKET INDICES

FT-SE 100:	3038.2	(+33.4)
Yield	4.06	
FT-SE Eurotrack 100	1420.74	(+11.08)
FT-SE-A All-Share	1528.04	(+0.9%)
Nikkei	21,261.95	(+219.24)
New York lunchtime:		
Dow Jones Ind Ave	3753.14	(-2.77)
S&P Composite	457.73	(-0.48)

■ US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.2%
Long Bond	88⅛
Yield	7.22%

■ LONDON MONEY

3-mo Interbank	5⅛%	(same)
Liffe long gilt future:	Jun 102½	(Jun 101¾)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$15.9	(16.0)

■ Gold

New York Comex (Aug)	$384.1	(383.4)
London	$382.10	(380.6)

■ STERLING

New York lunchtime:		
$	1.5095	
London:		
$	1.507	(same)
DM	2.5163	(2.5159)
FFr	8.5756	(8.5771)
SFr	2.1309	(2.1332)
Y	156.773	(158.589)
£ Index	80.5	(same)

■ DOLLAR

New York lunchtime:		
DM	1.67155	
FFr	5.69075	
SFr	1.41435	
Y	104.095	
London:		
DM	1.6698	(1.6695)
FFr	5.6905	(5.6915)
SFr	1.414	(1.4155)
Y	104.03	(105.235)
$ Index	65.5	(65.7)

Tokyo close Y 104.32

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh16	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS1.50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk9.00	Norway	NKr17.00	Spain	Pta235
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso55	Syria	S£50.00
France	FFr8.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

UK companies must consult on redundancy plans

European Court of Justice ruling faults UK government

By Robert Rice and David Goodhart in London

British employers will for the first time face a statutory obligation to inform and consult with employees when planning more than 10 redundancies, or if they transfer employees from one business to another, following two rulings by the European Court of Justice.

This means that even non-unionised companies will have to establish machinery for consultation where it does not already exist. The degree of change that will be needed in personnel practice is uncertain. Issues to be resolved will range from setting up committees elected by employees to simply notifying those concerned in advance.

"This is the most important case in UK industrial relations in the past 20 years," claimed Mr Fraser Younson, vice-president of the Employment Lawyers Association.

The rulings also formally clear the way for compensation claims against the government by many employees who received inadequate protection under British law when transferred to new employers or made redundant throughout the 1980s. Some estimates of the number of claims are as high as 60,000.

The Luxembourg court said the UK had failed to implement key aspects of the European acquired rights (1977) and collective redundancies (1975) directives.

In translating the European rules into English law through the 1981 Transfer of Undertakings (Protection of Employment) Regulations, known as Tupe, the UK limited the requirement to inform and consult to those employers who recognised trade unions.

Luxembourg has ruled that all employees, including the growing majority not in unions, must be consulted.

The judgment, which was not unexpected, was played down by the government as a "technicality".

But the ruling was welcomed by trade unionists and Labour politicians. Mr John Monks, Trades Union Congress general secretary, said: "The right of workers to be consulted over redundancies and transfers is a key element of social policy which had been deliberately denied to British workers."

The government is expected to introduce the required changes to legislation in the next few months. The precise form the informing and consulting with workers will take is likely to give employers the maximum flexibility possible.

In addition to the consultation issue the court confirmed that the UK was guilty of excluding the public sector from the job security and wage protection provided to workers by Tupe. The government last summer fell into line with Europe by extending Tupe to cover the public sector, but yesterday's ruling confirms the right of public sector employees not previously covered to sue the government for compensation.

A 1991 European Court decision gives individuals who suffer loss as a result of a state's failure to implement EC law the right to damages from the state.

Although employers are unlikely to be seriously affected by the claims many private contractors were yesterday repeating their exasperation with the government over its failure to give clearer guidance over where Tupe applies.

Workers given a voice, Page 9

Greenspan warns banks of need for self-regulation

Central banks to switch more to monitoring role, says Fed chief

By John Gapper, Banking Editor, in London

Banks and other financial institutions will increasingly have to self-regulate their trading activities because of the growing complexity of financial markets, Mr Alan Greenspan, chairman of the US Federal Reserve Board, said yesterday.

Mr Greenspan, who spoke after addressing the International Monetary Conference in London, said financial institutions would have to be increasingly "self-regulated, largely because government regulators cannot do that job".

He said the primary means of preventing a bank collapsing because of losses was "that individual institutions in their self-interest become extraordinarily knowledgeable about the counterparties with whom they are dealing".

His remarks indicate that regulators will in future place more stress on the skills of individuals and sophistication of technology in financial institutions, rather than insisting on examining their assets and liabilities in detail.

Mr Greenspan said that central banks would gradually move from the direct supervision of banks' credit risk towards monitoring their internal processes and risk management systems.

He was supported by other international central bankers in casting doubt on central banks' ability to contain volatility in bond and other financial markets by imposing further regulations.

Mr Greenspan said that financial institutions would also have to "create risk management systems that can take very considerable shocks". There was "no fundamental alternative" to financial supervision moving towards this model.

His remarks follow an indication that supervisors may allow banks to use internal models to calculate what capital to hold against trading risks, rather than using a model devised by the Basle committee of international bank supervisors.

Mr Greenspan also said that an integration of the views and policies of banking and securities regulators was "inevitable", despite current disagreements on capital requirements for market risks between supervisors of the two industries.

He said that it was "very difficult to make a judgment" about whether central banks would intervene to support an investment bank or other financial institution in a crisis, without knowing the full circumstances.

Mr Hans Tietmeyer, president of the Bundesbank, said there was now bond market volatility similar to that seen in foreign exchange markets for decades. "We have got to live with that. We cannot control it and pull it back," he said.

Mr Tietmeyer said central banks had got to follow innovation in financial markets closely, but "regulations in the end are not a solution for the market volatility. It is mainly for avoiding systemic risks", he said.

Meanwhile, Mr Jean-Claude Trichet, governor of the Bank of France, joined Mr Tietmeyer in calling for more transparency in financial markets, which could help to solve some of the market volatility caused by financial derivatives.

The two men emphasised that Britain could participate in the first stage of European monetary union if conditions were right after 1996 or 1999 under the Maastricht treaty. Mr Tichet said he hoped that Britain would do so.

Mr Tietmeyer emphasised that a move to monetary union would require only that currencies operated within "normal margins" in the exchange rate mechanism. The question of whether this *meant a return to narrow bands* had yet to be resolved.

Bankers of the world unite at Buck House ....Page 10
The zenith of the central banks ....Page 14
Editorial Comment .Page 15

Premier's budget smile

Prime minister Tsutomu Hata shows delight after Japan's Y73,000bn budget was passed – two months late. Report, Page 16 Picture AP

Hewlett Packard in chips link with Intel

By Louise Kehoe in San Francisco

Intel, the world's biggest semiconductor manufacturer, is to collaborate with Hewlett-Packard, the second largest US computer company after IBM, to develop a new generation of very powerful microprocessors.

The research and development partnership is aimed at creating microprocessor chips to be the "brains" of 21st century computers, the companies said.

The chips will combine Intel's technology, which is at the heart of most personal computers, with HP's reduced instruction set computing technology, called PA-Risc – an advanced type of microprocessor that HP has pioneered as the base for a broad range of computers, from desktop workstations to mainframes.

The joint research and development project will include the design of 64-bit microprocessors, advanced semiconductor processes and software. The companies expect to spend several hundred million dollars on the effort and to deliver the first jointly developed chips in the late 1990s.

The new chips will be able to run existing personal computer and Unix software without modification, said Mr Richard Sevcik, HP group general manager. In addition, the 64-bit design will be well suited to future

Continued on Page 16

State aid to ailing national airlines may be phased out

By David Gardner in Luxembourg

State aid to national airlines in financial difficulties would be virtually phased out in the European Union in the next three years under guidelines which Brussels is circulating among member states.

The European Commission draft plan could determine how Brussels will conduct its two week-old investigation into the French government's request for a further increase of FFr20bn ($3.49bn) in capital for Air France, its lossmaking flag carrier.

The guidelines will come into effect as soon as the Commission finishes consultations within its own departments and with the 12 EU member states.

In the more competitive environment created by the EU's "open skies" legislation, the draft document says: "State aids are of substantially increased strategic importance since they might severely distort competition."

But although the draft calls for a level playing field, it allows for final cash injections to turn around airlines "suffering from the burdens of the past", and for short-term "rescue aid" to carriers attempting to restructure and cut capacity.

However, a "fresh start" for troubled airlines involving government aid must be based on commercial principles and include:

- A "comprehensive restructuring programme" including capacity reduction
- No further state aid thereafter
- No government interference in management
- No use of the aid by the airline for acquiring stakes in other EU carriers
- No attempt to strengthen market position in contravention of EU law opening up European routes to greater competition.

Tha Commission's transport directorate wants to end state aid to airlines by April 1 1997, the date set two years ago for the final stage of liberalisation or "cabotage" – the right of carriers to ply any other member state's internal routes.

"After that date the Commission will very stringently assess the effects of the aid on competition, and, if at all, accept such aid programmes in very exceptional cases only, and only if it includes severe cutbacks in capacity," the draft guidelines say.

The guidelines are broadly in line with the recommendations of the "Committee of Wise Men" which the Commission asked to report on the airline industry earlier this year. But the aviation "liberals" among the 12 – principally the UK, Germany, Denmark, the Netherlands and Ireland – could push for tighter screening and a more rapid aid phase-out.

The new Air France request is particularly controversial because in 1991 and 1992 tha Commission approved a capital top-up for the troubled French carrier worth FFr5.8bn in three tranches.

Further aid, critics like British Airways say, conflicts with the Brussels doctrine of "last chance" restructuring aid.

In addition, they say, only under duress has Air France started to abide by its EU obligations to open up routes to competition.

Aid barely lifts Andalucia, Page 3

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NEWS: EUROPE

EU poll issues that have guided Twelve campaigns

Across Europe, 269m voters are eligibla to take part in the elections for the European parliament today and on Sunday. The vote will decide the composition of a 567-member assembly with significantly increased powers under the Single European Act and the Maastricht treaty, writes David Marsh, European Editor. A pan-European opinion poll for the European Commission, published this week, indicates that 55 per cent of the electorate will be guided by national issues in their voting intentions, with 37 per cent looking more to European questions.

Opinion polls show that most voters throughout the Union – with the notable exceptions of the strongly Eurosceptical electorates in the UK and Denmark – favour giving the European parliament more power.

At the same time, with governments in most countries suffering unpopularity as a result of recession and unemployment, a large protest vote is likely in many countries, led by the UK, Spain and Belgium. The election will deliver important pointers to national contests in the next 12 months – especially the general election in Germany in October and the presidential election in France next May.

UK

Voting today. Over monetary union, the governing Conservatives say the UK parliament should have the right to decide on a single currency. Opposition Labour is more compliant, saying exchange rates should be fixed after ecoaomic convergence. Liberal Democrats support moves to a single currency "in step" with other states.

On political union, the Conservatives insist the EU cannot supersede aatioas, and Britain's veto must be retained on issues of vital national interest. Labour is committed to an integrated and co-operative Europe, with veto retained on defence, fiscal, foreign and constitutional matters.

The Liberal Democrats are for a democratic, decentralised, federal Europe. They support a significant extension of qualified majority voting but with national vato retained over monetary and defence decisions by the council of ministers.

The social chapter is opposed by the Conservatives and backed by Labour. The Liberal Democrats support it on balance, but are opposed to 35-hour week "straitjacket".

LIKELY RESULT: Conservatives likely to win less than 30 per cent of vote, with sharp fall in seats from 32 in 1989 magnified by majority voting system. Labour could take 50 or more; Liberal Democrats up to 12. **David Owen, London.**

Spain

Voting Sunday. The main Spanish parties all favour closer European integration, with no clear division over European policies but with differences of emphasis. The governing Socialist party and conservative Popular party support economic and monetary union. Both want a stronger European parliament. Socialists put more emphasis on employment, the PP on control of public spending and deregulation. Both want farm policy better adapted to Spanish interests.

The Communist-led United Left proposes a decentralised federal model for Europe, with the parliament exercising full legislative powers and control over the Commission. It also argues for agricultural reform.

On EU foreign policy, both want more co-operation in the Mediterraneam and with Latin America.

LIKELY RESULT: Opinion polls give the Socialists only about 31 per cent of the vote, with the PP taking between 37 and 40 per cent. The United Left is predicted to show strong gains with up to 15 per cent of the vote.**David White, Madrid**

Germany

Voting Sunday. On the issues of political and economic union, the main German government and opposition parties share many views. They favour strengthening European institutions, including giving more power to the European parliament to counter-balance tha council of ministers. They want to reinforce common foreign and security policy, and more common action on crime-fighting and immigration.

All agree on the need for eventual enlargement to bring the democracies of central and eastern Europe into the EU. However, the opposition Social Democrats say this can only happen after further reform within the Union – not least to bring agricultural spending under control. They argue for "deepening" before further "widening" of the EU.

On monetary union, the parties say the economic convergence criteria are more important than the precise timetable.

On social policy, the differences are clearest. The SPD favours Europe-wide social standards. The Christian Democrats stand for minimum standards of protection, without excessive regulation. The Free Democrats tend towards deregulation to improve labour market flexibility.

LIKELY RESULT: The latest opinion poll, published by Focus magazine, shows the SPD and CDU neck-and-neck on 38.5 per cent, with the FDP failing to make the 5 per cent needed for seats in the parliament. **Quentin Peel, Bonn**

Belgium

Voting Sunday. In a lacklustre campaign that has done little to provoke controversy, the three main political groupings in Belgium have presented a virtually united face on the need for monetary and political union and a social chapter.

For Belgium's Christian Democrats, Socialists and Liberals, the desirability of a single currency is not in doubt. In a country where people put region before country, the Belgian franc inspires no great affection.

Even the Liberals who allegedly favour Thatcherite economics believe a social chapter is important to raise the living standards of Europe's poorer workers.

On integration all again are in favour although the nuances differ according to the cultural divide. Flemish voters, of whatever, have a very precise idea of how an integrated, federalist Europe should be structured. They favour one in which regions are mora important than nation states, a notion less enthusiastically endorsed by the Francophone Walloons.

LIKELY RESULT: Liberals expected to gain 25 per cent of vote, ahead of Christian Democrats and Socialists, with between 21 and 22 per cent, according to latest polls. **Emma Tucker, Brussels**

Denmark

Voting Today. The Danish parties broadly oppose a federal Europe. Out of the 10 parties contesting the election, the opposition Liberal Party, set to win four or five of Denmark's 16 seats in the parliament, is the only one in favour. The party's annual conference in March backed a two-chamber system of government for Europe, giving the European parliament legislative powers.

All the Danish parties support the social chapter. The Social Democrats, heading the four-party coalition, goes furthest, advocating supranational regulations to protect workers and prevent social dumping.

On monetary union, Denmark obtained a special opt-out in 1992. The opposition Liberals and Conservatives favour eventual Danish participation in monetary union, but the issue has not played a role in the campaign. Danish membership would in any event require approval by a referendum.

LIKELY RESULT: The Social Democrats and the Liberals both stand to win 24 per cent, according to a Gallup poll this week. The anti-European alliance of the June Movement and the People's Movement Against the EU may win 18 per cent. The Conservatives would gain 12 per cent. **Hilary Barnes, Copenhagen.**

Ireland

Voting Today. Domestic issues such as unemployment and taxes have tended to dominate the campaign, but the Fianna Fail-Labour coalition seems unlikely to suffer from a protest vote.

Apart from Democratic Left, which is the most Euro-sceptic party fighting the election, the main parties agree on the need for monetary union. Labour and Fianna Fail, the centre-right party led by Mr Albert Reynolds, prime minister, also place great emphasis on the need for strong EU social and employment policies.

The opposition Fine Gael and Progressive Democrats have tried to discredit the coalition over a controversial passports-for-investments scheme.

LIKELY RESULT: Fianna Fail, topping the polls in all four constituencies, is set to win seven of the 15 seats, one more than 1989. Fine Gael is struggling to keep its four and could lose one. Division in the Progressiva Democrats conld result in it losing its only seat to an independent. **Tim Coone, Dublin.**

Greece

Voting Sunday. There is little enthusiasm for the election in Greece. European issues are scarcely mentioned in candidates' speeches, beyond a statutory mention of the Ecu17bn that Greece will get in EU assistance for infrastructure projects over the next five years.

For the governing Panhellenic Socialist Movement, the election is the first test of popularity since it regained power last October. For the conservative opposition New Democracy, the poll is seen as a test for Mr Miltiades Evert, a former mayor of Athens who took over the leadership after the election defeat.

LIKELY RESULT: Pasok looks set to maintain a clear lead over ND, with the nationalist Political Spring gaining ground at the expense of both main parties. One poll this week put Pasok ahead with 41.1 per cent to 36.2 per cent for ND, 7.6 per cent for Political Spring, 4.7 per cent for the Left Alliance and 4.4 per cent for the Stalinist Greek Communist Party. **Kerin Hope, Athens**

Netherlands

Voting today. The Dutch campaign has been short, uneventful and completely overshadowed by domestic political wrangling following general national elections a few weeks ago.

The four main parties, united in their support for political and monetary union, also agree on the need to extend EU control to areas like policing and immigration.

On social issues, they divide along right-left lines, but differences have also emerged on the environment. The Liberals want an eco-tax in Europe only if the rest of the industrialised world follows suit, while the other parties have indicated a readiness to take part in a "unilateral" European move.

LIKELY RESULT: An opinion poll this week indicates only the Christian Democrats will suffer losses. It is forecast to take eight seats, down two; Labour to remain at its 1989 level with eight seats. Sharp gains are predicted for the two parties which scored well in the general election. The left-of-centre D66 is seen jumping to five seats from one, while the Liberals could double their score to six seats. **Ronald van de Krol, Amsterdam**

France

Voting Sunday. The main French right- and left-wing parties and groupings favour political and monetary union, although some of the electorate has been showing increasing scepticism. Both left and right have had their support eaten away by dissidents within their own camp.

On the right, the anti-Maastricht list of dissident conservatives has seen support running unexpectedly high at 7-9 per cent. The Socialist list, led by Mr Michel Rocard, has faced even harder competition. First, from that led by Mr Bernard Tapie, nominally an ally and a declared European federalist, but whose only policy is to make youth unemployment illegal. Second, from the "Bosnia" list led by Mr Leon Schwartzenberg campaigning for an end to the Bosnian Moslems arms embargo. In some polls it has scored the 5 per cent minimum needed to win Euro-seats in France.

LIKELY RESULT: Latest polls give the UDF-RPR list of the governing coalition 31-32 per cent. Socialists expected to do badly, with one poll pntting support as low as 13.5 per cent, which would be a disastrous start to Mr Rocard's campaign for the presidency next year. The Communists and National Front have polled around 7 and 10 per cent respectively. **David Buchan, Paris.**

Portugal

Voting Snnday. The vote will be a judgment on the centre-right Social Democrats (PSD) after almost two years of recession. It will also test the main opposition party, the centre-left Socialists, in the run-up to a general election in October 1995.

On European issues, the two main parties differ little. Both are strongly pro-European. But while the Socialists openly advocate federalism, the PSD steers away from the term in favour of less emotive expressions such as European integration. Both favour a single currency and greater powers for the European Parliament.

The PSD reflects growing Portuguese dissillusioment with Europe by taking a tough stand favouring Portuguese interests, particularly over agriculture. The Socialists have been criticising not the Common Agricultural Policy but the PSD government for failing to invest EU farm funds wisely.

LIKELY RESULT: Polls put Socialists slightly ahead with 30 per cent against 29 per cent for PSD. **Peter Wise, Lisbon.**

Italy

Voting Sunday. Italy's politicians have conducted a lack-lustre campaign with budgets and political energies exhausted by the March general elections.

The parties on the left and in the centre which emerged as the opposition two months ago have based their campaigns on the calculation that Mr Silvio Berlusconi's Forza Italia and its allies are in an unassailable position. Thus they have avoided polemics and raised few European issues, concentrating instead on rallying their faithful rather than gaining new voters. Mr Berluscomi, heading the Forza Italia list in all five electoral colleges, is using the elections as a personal referendum.

LIKELY RESULT: Polls give Forza Italia 25 per cent, 5 points up from March. The PDS has around 23 per cent. The third largest party is the MSI at 13, with the Northern League around 7. **Robert Graham in Rome**

Luxembourg

Voting Sunday. The Luxembourg coalition govarnment, composed of the Christian Socialist and Socialist parties, is firmly in favour of economic and monetary union. Luxembourg is also a firm backer of political union. The government parties are keen to ensure that the rights of small states are safeguarded in the 1996 Maastricht review conference. The opposition Liberals, formerly firmly in favour of European union, are now more sceptical.

LIKELY RESULT: The government parties are expected to maintain their supremacy, keeping five of six seats. **David Gardner, Luxembourg**

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Region languishes despite quantities of EU cash

Aid barely lifts Andalucia

By David White in Madrid

EUROPEAN ELECTIONS
June 9 and 12

Hundreds of German and Dutch families moved down to La Carolina in southern Spain hut discovered the homes they were promised were still unbuilt. The promoter had called it "the gateway of happineaa". Instead, they found themselves in a barren landscape where the locals treated them as loafers.

Another Costa time-share scam? Not quite. It was an experiment in farm settlement, in 1767. Today's mayor says it created "a European Union in miniature". Its remnants are some curiously tall, blond people in surrounding villages and the occasional odd-sounding surname like Nef or Schefle.

La Carolina is no longer the end of the world. A spanking new highway runs close by. But these days hardly anybody goes there. There are no tourists and few jobs to be had. Last year, two of the main employers, including a telecommunications equipment plant belonging to Siemens of Germany, shnt down. More jobs hang precariously on the future of Suzuki's car-making subsidiary, Santana Motor, in nearby Linares.

Linares, as near to being an industrial town as anywhere in Andalucia, has been on a war footing for more than three months. Suzuki, fed up with paying for losses, wants out. The whole area has taken to the streets against job cuts. The factory fence is strung with banners pledging the support of everybody from the fire brigade to the basketball club. The company's Japanese executives have gone to ground.

The plant is not big by European standards, employing 2,400. But this is more than any other single industrial facility in Andalucia, a region of almost 7m people. And Linares, sitting among disused lead mines, has little else. More than half the population of 60,000 depend on it directly or indirectly.

European funds, following Spain's accession eight years ago, and a spending-spree connected to the Seville Expo in 1992 have outwardly changed Andalucia, with public works galore – new roads, high-speed railways, airport buildings, drains, schools and hopeful husiness parks. But, at the same time, the region's official jobless rate has risen to 34 per cent, three times the EU average and the highest in Spain, Europe's racord-holder for unemployment. The number out of work in the region – 885,000 – has increased by half in the past decade.

Last year, according to the Fund for Economic and Social Research, Andalucia's gross product fell by 2.9 per cent, the sharpest recession of any Spanish region.

Income per head is 53 per cent of European Union average. Since Spain's entry to the EU the gap has closed a little, but less than for Spain as a whole. "In relative terms we are not in the group of regions that are converging," says Mr Alfonso Pajuelo, planning director in the economy department of the regional government in Seville.

Villages depend heavily on payments from the government's rural employment plan, designed to ease the plight of 200,000 seasonal farm labourers in Andalucia and neighbouring Extremadura. Agricultural "day-workers", who work at least 60 days, usually moving from harvest to harvest on big estates, can claim about Pta27,000 (£130) net a month for half the year when they are not working. Notoriously vulnerable to fraud, the plan has cost about Pta1,000bn since it was introduced 10 years ago. Opposition conservatives see it as a disincentive to work. Distant from any of the standard images of European farming, it has created its own unique brand of subsidy culture.

Andalucia is the European region which receives most structural aid from the EU. But it has only a third as many companies as Catalonia, which has a smaller population. Ninety per cent of those employ fewer than 50 people. "Attempts at industrial take-off have repeatedly failed," notes a regional government study. There is little entrepreneurial spirit, and many established companies – like Santana Motor – hava become uncompetitive.

Mr Francisco Vallejo, La Carolina's Socialist mayor, thinks the impact of the single market will be "fairly negative in the short term" in the region. "These companies worked well when the market was closed."

Andalucia is a prime focus of attention in the European election, with regional elections being held simultaneously on June 12. The Socialists' outright majority in this stronghold region and their leading position in the country as a whole are both in jeopardy. Mr Fernando Morán, the former foreign minister who heads the list of Socialist candidates for the European parliament, used to be MP for Jaen, the olive-growing province which includes Linares and La Carolina. He says the south is "a priority prohlem" and hopes it will not become a distinct world like Italy'a Mezzogiorno.

Government officials in Madrid say the oorth-south divide is less accentuated in Spain than in some other countries. "It is not the worst south of southern Europe," one commented. But the pattern of dependence – on Madrid, on foreign investment, on second-hand technology, on Brussels – is far from being broken.

Belgian snnbs of Italian ministers may hamper Mr Dehaene's hid for Brussels joh

EU challenge grows to Italy's neo-fascists

By David Gardner in Luxembourg

The growing challenge to the presence of neo-fascist members of the new Italian government in European Union institutions widened further yesterday, when another EU ministerial meeting was held up hy a protest from Belgium.

Yesterday's incident, at a council of environment ministers in Luxembourg, follows a denunciation of the Italian neo-fascist leadership at the weekend hy Mr Jacques Delors, president of the European Commission, and the decision oo Tuesday by all four main Dutch parties to boycott the Commission if Rome names a far-right candidate as one of its two commissioners.

At the end of last mooth, an EU telecommunications council was held up when the Belgian Socialist minister, Mr Elio de Rupio, refused to shake hands with his Italian opposite oumber, Mr Giuseppe Tatarella, deputy prime minister for the far-right National Alliance (AN-MSI), "deploring" his preseoce in a democratic forum.

Yesterday, Mr Jacques Santkin, the Belgian Socialist eovironment minister, marked the preseoce of another Italian neo-fascist, environment minister Altero Matteoli, with a statement underlining the obligatioo of EU ministers to defend democratic principles.

The recenl commemoration of the 50th anniversary of the D-Day landings to liberate Europe from fascism, he said, "should make us reaffirm loudly and clearly what the fundamentals of democracy are".

Mr Matteoli replied that "the principles of freedom and democracy relerred to will never be put in doubt". He also pointed out that Presideot Bill Clinton began his D-Day remembrance trip to Europe in Italy, and had showed no compunction in meeting AN-MSI ministers and its leader, Mr Gianfranco Fini.

Mr Delors, bowever, responded on French televisioo at the weekeod to recent remarks by Mr Fini by saying that "we must move from a vigorous vigilance" of the Italian far-right "to a more concerned vigilance".

Mr Fini had said that the fascism of Mussolini had beeo positive until the 1938 racial laws; that Europe had lost lts cultural identity as a result of the D-Day landings; and that "there are moments when freedom is not an essential value".

"I read [this] with anger in my heart," Mr Delors said.

The positioo of the Dutch parties was underlined by Mr Gijs de Vries, a promiueut right-wing liheral MEP, who warned that the European parliament would use its powers to veto the new Commission if il contained an Italian neo-fascist.

The dominant Socialist group at Strasbourg, set to bolsler its position in this week's Euro-elections, voted in May to boycott all Italian neo-fascists in EU institutions.

Italian governmeot officials indicated yesterday that it was unlikely that Mr Silvio Berlusconi, the prime minister, would name an AN-MSI candidate for Brussels, favouring instead Mr Enrico Vinci, curreot secretary-general of the European parliameot, and Mr Marco Panella, the maverick Radical party MEP and natiooal MP.

Some EU diplomats also said that it was unlikely Mr Berlusconi would back Belgium's premier, Mr Jean-Luc Dehaeoe, favoured by France and Germany to succeed Mr Delors next year, in the light of successive Belgian souhs to his ministers. All the main candidates to succeed Mr Delors are courting the new Italian prime minister before the Corfu EU summit on June 24-25.

East Germans look to widen their horizons

By Judy Dempsey in Berlin

"You bet I am going to vote in the European elections," said Ms Gisela Böse, a 58-year-old mother of three sons. "And I will tell you why. We have to keep the Nazis out. A low turnout will play into their hands."

As an east German, this is the first time Ms Böse has had the chance to vote in these elections. Yet she and many of the residents of the Rosenfelder Ring housing estate in Friedrichsfelde, a socially-mixed district of east Berlin, cannot name their European parliament candidates.

"We have no idea who they are or what they look like," said Ms Böse. "They never come around here. I have never seen any of them campaigning. The only thing we know about the European parliament is through the television. I haven't a clue what any of the candidates stand for."

Mr Günther Kombino agrees. "Nevertheless, I will vote. But at my age – I am 65 – the European elections mean very little to me. They are more important for my children. They like to travel," he said. "You see, I could not do any of that when the Wall divided Germany. If we have a bigger European Union, they will be able to travel without any bother. Maybe we should expand Europe to the countries of eastern Europe, and to Switzerland, and to Scandinavia. By the way, who is standing in our district?"

One of the candidates is Mr Hans-Wilhelm Ebeling, a member of Chancellor Helmut Kohl's governing Christian Democrats. Mr Ebeling, 60, lives in a large bungalow on a quiet, tree-lined street just a 10-minute walk across the tram tracks from the Rosenfelder Ring estate.

He holds different views about how the European Union should be enlarged and what values it should hold. "I support some degree of enlargement. But it should extend to the Christian countries with humanist values. I don't think I would go beyond the Urals."

A former theologian who, in the heady days of German unification, tried to set up in eastern Germany a sister party of the Bavarian-based Christian Social Union, Mr Eheling would also like to see a ban on parties such as the far-right Repuhlicans, and even the Party of Democratic Socialism, the auccessor to east Germany's former Communist party. "Thay are not democrats," he said.

Mr Norbert Glante, his Social Democratic counterpart in Potsdam, does not believe in drawing up new borders in Europe. "The European parliament should try to open up horders with eastern Europe and Russia. It is really important for the east Germans to have more trade and better contacts with the east. We are all in Europe together." If the 41-year-old former technician is elected – and his chances are high sinca his constituency around Brandenburg is SPD – he would lobby for more funds for roads and infrastructure from this part of eastern Germany to the east.

Yet, however much the voters and the candidates differ on where Europe starts and ends, they share one common aspiration: EU countries should have a united policy on crime, security and youth. "Now the borders are open, there's so much crime and the youth are being dragged into it," said Ms Böse. "Then they start drifting into neo-Nazi groups and start getting violent. This cannot continne. This is a European problem."

Light escape likely for Balsam bankers

David Waller on how Germany's newest scandal contrasts to the Schneider case

Following shortly after the collapse of the Jürgen Schneider property group, Germany's large banks have been hit by another case of alleged fraud at a heavily indebted company.

The company at the centre of the new debacle is Balsam, a manufacturer of flooring materials used to make tennis courts, artificial surfaces for football pitches and running tracks and other sports installations, based in the town of Steinhagen near Bielefeld in Westphalia. Balsam owes DM1.6bn (£640m) and its entire four-man board was arrested earlier this week on suspicion of credit fraud.

Deutscbe Bank, Dresdner Bank, Westdeutsche Landesbank and other large German institutions own an indirect 15 per cent stake in Balsam via WFG Deutsche Gesellschaft für Wagniskapital, a venture capital company. Despite this bankers said yesterday that the direct and indirect credit risk is spread between 40 banks and that no individual bank is owed more than DM100m.

This contrasts with the case of Schneider, where banks are owed DM5bn and Deutsche Bank alone is owed DM1.2bn, against which it has had to make a DM500m provision.

But although the Schneider case was significantly bigger than Balsam, there are parallels. Both companies were led by charismatic entrepreneurs whose apparent wealth served to dampen bankers' fears about mounting debts.

Just as Mr Jürgen Schneider, the property antrepreneur whose disappearance triggered the property crisis, always paid his interest bill on time – so Mr Friedel Balsam, chief executive of the floorings group, was always punctual in meeting his payments to bankers.

"Moreover he was always willing and able to inject further cash into the business from his own resources," said one banker yesterday.

It was perhaps for this reason that bankers were indifferent to the scale of Balsam's debts which seem vast for a company with turnover of a modest DM460m and net profits of only DM15m last year. This parallels bankers' nonchalance about a rapid build-up of debt at Schneider prior to his recent disappearance.

Bankers, due to gather last night in Wiesbaden for their first talks on Balsam, said the company's biggest direct creditor was Procedo, Germany's largest factoring company. Factoring, a financing technique which is in its infancy in Germany, is at the heart of the alleged fraud.

Factoring companies advance cash to their customers against the security of unpaid invoices. They take a commission for the service provided and assume responsibility for collecting their customers' outstanding receivables.

According to Mr Jost Schmiedeskamp, state prosecutor in Bielefeld, the four directors of Balsam have been arrested on suspicion of forging documentation to support factoring agreements.

Mr Schmiedeskamp said the board stood accused of concocting large orders from foreign customers, or of inflating the value of real contracts by a factor of 60 in some cases. The invoices for these fictitious orders were presented to Procedo in conjunction with documents purporting to be from a US bank and a US accounting firm, but these documents were alleged by the prosecutor to be fraudulent.

He said that the cash raised against the invoices was used by Mr Balsam and his boardroom colleagues to speculate in the currency markets. The fraud has allegedly been running for a number of years and the state prosecutor said it opened its investigations into the case in late 1992.

The alleged fraud is given an added twist by the fact that Mr Balsam, 85 per cent shareholder in the flooring company, is also a minority shareholder in the company he is accused of defrauding: together with his finance director he has has a 3.9 per cent stake in Procedo. But business between Procedo and Balsam was conducted on an arms' length basis, Procedo has insisted. Balsam is believed to have been Procedo's biggest customer, but how much Procedo is owed has not yet emerged. Neither is it clear how much Procedo itself owes the banks with which it refinanced its factoring business.

For bankers mulling on the similarities to the Schneider case, there is one consolation: while Mr Schneider's whereabouts are unknown Mr Balsam is at least behind bars.

Battle joined over Russian defence spending

By John Lloyd in Moscow

A fierce struggle over Russia's military budget – on which may depend the survival of the government, further economic reform and the political neutrality and effectiveness of the armed forces – is coming to a head in Moscow.

The struggle pits the military and defence industry against the still shaky reformist forces and their erratic push to create a functioning market economy.

Big concessions to the military's demands for much higher spending – claimed by the defence establishment as essential if a military revolt is to be avoided – would destroy attempts to contain spending and control inflation to its present levels of under 10 per cent a month.

The intensity of the fight reflects the lack of progress in two years of reform in restructuring the vast defence establishment which includes the military forces, the reconstituted and expanded border guards, interior ministry troops and the intelligence operatives (former KGB).

The military is underfunded, underemployed, badly housed, often unpaid and receptive to extreme nationalist and communist influence and increasingly aggressive in its own defence.

Pressure to increase military spending is beginning to tell on the country's democratic institutions. The state duma, or lower house of parliament, yesterday passed the 1994 budget within the limits set by the government – with income set at Rbs124,000bn and specified payments set at Rbs194,000bn - though it increased spending on the military from Rbs 37,000bn to Rbs40,500bn, largely by cutting planned repayments of foreign debt.

The Federation Council or upper house has already said it will increase military spending to Rbs55,000bn when it reviews the budget – a line which appears to have the support of President Boris Yeltsin.

But a senior military adviser close to Mr Viktor Chernomyrdin, the prime minister, warned yesterday that official spending of Rbs55,000bn would breach an important deficit target mada by the prime minister to the International Monetary Fund and could force Mr Chernomyrdin's resignation.

The official figure may greatly understate true spending. Mr Vitaly Shlykov, a former deputy Soviet and Russian defence minister and the country's main expert on military production, said the Rbs55,000bn figure was a "game" and that true expenditure would inevitably be much higher because budget outlays not specifically identified as military would, in fact, be devoted to the services.

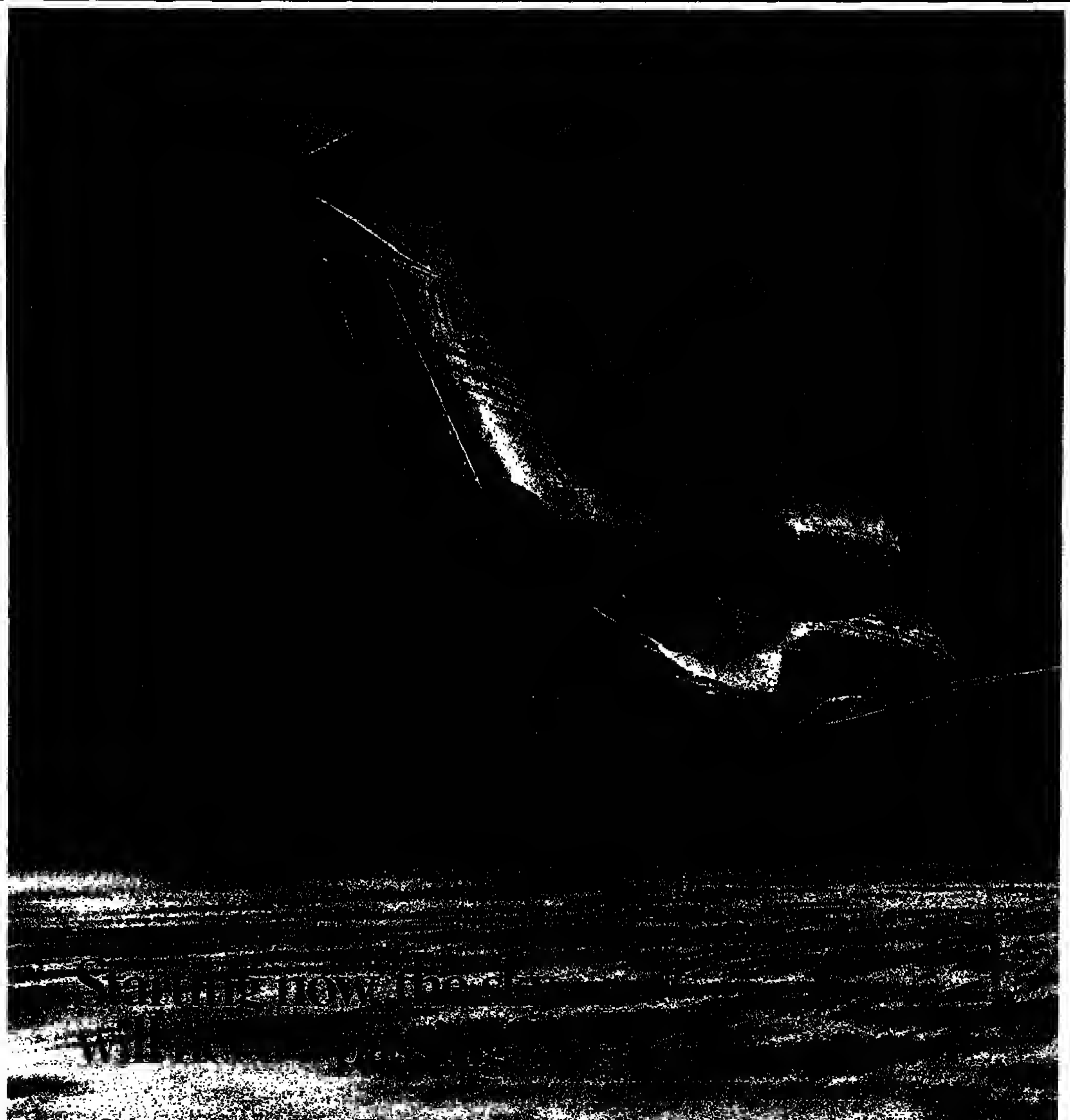
The crisis is deepened by the fact that the budget income is now lagging well behind target. Mr Sergei Kondrashyev, deputy head of the Finance Ministry's military expenditure department, told a hearing of the state duma's defence committee on Tuesday that in the first five months of this year the ministry had received only 15 per cent of the year's total revenue – or 36 per cent of the revenue it should have collected for the period.

Mr Shlykov said that President Yeltsin had last month written to Mr Chernomyrdin, expressing his support for the higher spending on the military.

Mr Chernomyrdin – who earlier this week flew to Germany for medical treatment and is in the middle of a two-week break from his duties – had so far held fast to a lower spending figure – but the pressure on him was now intense.

"The military and the defenca industry are now fused together in a very powerful lobby," said Mr Shlykov.

"We might see a change of government because of this struggle".



Carbide challenges EU plastic decision

By Daniel Green in London, Emma Tucker in Brussels and Andrew Hill in Milan

Union Carbide, the US chemicals company, has challenged yesterday's go-ahead from the European Commission for a $3bn (£2bn) plastics joint venture between the Anglo-Dutch company Royal Dutch/Shell and Italy's Montedison.

The two European companies had made last minute concessions on their control of polypropylene manufacturing technologies to overcome accusations they would breach EU competition law. But Union Carbide said it was considering an appeal to the European Court of Justice.

"We do not share the European Commission's view that the changes to the proposed venture eliminate anti-trust concern," said the company.

The joint operation, known as Montell, will have a market share estimated by Shell at 18-19 per cent, making it easily the world's biggest polypropylene manufacturer.

Polypropylene is a tough plastic widely used by the car industry for items including bumpers and battery casings.

The Commission approved the deal on condition that Montedison kept control of its proprietary method for the polypropylene manufacture, Spheripol. Shell Oil, the US arm of Royal Dutch/Shell, already has control over another manufacturing technology, Unipol, through a separate venture with Union Carbide. The concessions put forward ensured Montell would not contravene EU competition rules, said the Commission.

The main undertaking offered by the two parties is a commitment to keep separate two rival technologies for polypropylene prodnction. Montedison will keep Spheripol separate from the joint venture in a distinct, new enterprise called Technipol.

Normal competition rules will apply to any commercial discussions held between Montell and Technipol, said the commission. Montedison agreed to divest itself of a joint venture it has with Petrofina, the Belgian petrochemicals company which had also objected to the creation of Montell.

The Montell venture is partly intended as a way of ridding Montedison of $2.2bn of its debt. It is understood that the amendments to the deal demanded by Brussels will not bave a significant impact on this process. Montedison's continued control over its sought-after polypropylene technology could benefit the group, which will continue to license the technology to Montell's competitors.

EUROPEAN NEWS DIGEST

Shipping line controls sought

Shipping lines should not be allowed to fix prices for the terrestrial leg of long-haul deliveries, the European Commission said yesterday. A report presented by Mr Karel Van Miert, competition commissioner, says that so-called shipping "conferences" – powerful agreements between shipping lines – would be contravening EU competition rules if they agree to fix prices on road or rail transport services to and from ports. At present, shipping conferences have a bloc exemption from competition rules on the port-to-port leg of journeys which allows them to fix common rates. They argue that they would not be able to make ends meet without the exemption. However, big EU exporters say that the shipping lines are behaving as an illegal cartel and are imposing exorbitant prices. The report, approved by the commission yesterday, will be presented to transport ministers at next week's council meeting. *Emma Tucker, Brussels*

Bosnian factions sign accord

The warring factions in Bosnia yesterday signed a United Nations-brokered agreement for a one-month nationwide ceasefire and an immediate exchange of all prisoners. The truce is due to come into force at noon local time tomorrow The surprise accord came after Mr Yasushi Akashi, the UN's special envoy for ex-Yugoslavia, had said late on Tuesday that it would take "a miracle" to get a deal. While yesterday's pact falls far short of the four-month truce Mr Akashi had sought at the start of the talks on Monday, it was, he said, "a first step" towards a complete cessation of hostilities in Bosnia. The two sides have agreed to refrain from "any offensive military operations or other provocative actions". But, unlike in the original UN plan, there is no provision for pulling back heavy weapons from the frontlines or for the separation of forces by UN troops. Instead, the UN Protection Force (Unprofor) will merely "monitor" the ceasefire.

The pact represents a moral victory for the mainly Moslem Bosnian government, which had pressed for a four-week renewable ceasefire linked to negotiations on a political settlement for Bosnia. It opposed a longer ceasefire on the grounds that this would enable the Bosnian Serbs to consolidate their military hold on 70 per cent of Bosnia. *Frances Williams, Geneva*

EU steel plan postponed

The European Commission yesterday postponed a decision on whether to approve a revised rescue plan for the steel industry. Mr Martin Bangemann, industry commissioner, asked for a week's delay in order to review the treatment of Ecu415m (£319.5m) Italian state aid in exchange for closure of steel-making capacity in Brescia, northern Italy. The Italian closures are crucial for reaching the target of cutting capacity in the EU by a total of 19m tonnes, with the Brescia mini-mills contributing between 5m and 6m tonnes. But the complex cross-ownership of the mills means that not all companies linked to steel-making would shut down. This raises legal problems about state aid being used to fund "partial closures". Mr Bangemann is pressing for a more flexible interpretation of rules on steel aid which would focus on capacity cuts rather than ownership, overturning a Commission decision in favour of a rigorous application of the rules. Mr Bangemann signalled yesterday that he was unhappy with a compromise which would have opened infringement proceedings against the Italians for illegal subsidies, while pressing the Rome government to come up with a new package of state aid to the Brescia mills. But Brussels officials remain hopeful of agreement next week. *Lionel Barber, Brussels*

Hungary lifts repo rate by 2%

Hungary's central bank yesterday lifted its key repo interest rates by 2 per cent and has also announced a three point rise in the base rate to 25 per cent. Financial markets had expected a tightening of monetary policy after parliamentary elections last month but the scale of the move came as a surprise. The National Bank of Hungary said the measure was needed to curtail domestic demand and bring down a persistent external deficit. Figures released yesterday showed s worse-than-expected first-quarter current account deficit of $809m, little down on the record $900m registered in the same period of 1993. Hungary ran a $3.46bn current account deficit in 1993 as a whole, equivalent to about 10 per cent of GDP. But the central bank council, saying monetary restriction alone could not right the external imbalance, called on the new Socialist government to exercise parallel fiscal restraint and reduce a budget deficit forecast at Ft330bn ($3.2bn) for 1994. *Nicholas Denton, Budapest*

Part-time work promotion

The German government yesterday gave the go-ahead for s publicity offensive to promote part-time working, aimed at persuading employers to provide more part-time jobs for an estimated 2.5m workers. Details of legal protection for part-time workers, potential productivity gains for employers, and pension rights, will be advertised in 30m newspapers and magazines, and 100,000 brochures. The current proportion of workers employed part-time in Germany is only 15.5 per cent, compared with 34.3 per cent in the Netherlands, and 23.7 per cent in Sweden. The government's campaign does not intend to offer financial incentives to employers, but a draft law will give part-time workers the right to claim full unemployment benefit for three years after they switch from full-time employment. *Quentin Peel, Bonn*

ECONOMIC WATCH

W Europe car sales up 12.9%

West European new car sales rose year-on-year by an estimated 12.9 per cent in May to 1.09m, the biggest monthly increase this year. The slow recovery in the new car market achieved in the first quarter was halted in April by a fall of 2 per cent year-on-year.

Provisional figures released yesterday by the European Automobile Manufacturers Association (Acea) suggest that the setback was only temporary, however, as sales rose sharply year-on-year in France and Spain and in several of the smaller European markets led by Scandinavia, Greece and Ireland. In the first five months of the year new car sales in west Europe are estimated by Acea to have risen by 5.6 per cent to 5.43m. Sales in the whole of 1993 fell by 15.2 per cent to 11.45m, the steepest decline in the post-war period. *Kevin Done, Motor Industry Correspondent*

West European New Car Registrations*

	May 1994	% Chg yr-on-yr		May 1994	% Chg yr-on-yr
Germany	300,390	+6.5	Switzerland	26,700	+1.1
Italy	178,870	+7.5	Portugal	20,550	+0.0
France	165,600	+26.2	Sweden	15,250	+39.9
UK	150,070	+10.0	Denmark	13,100	+70.1
Spain	87,710	+31.6	Greece	10,710	+49.4
Netherlands	36,680	+7.4	Ireland	9,580	+43.0
Belgium & Luxembourg	37,230	+21.7	Norway	7,460	+49.2
			Finland	6,320	+21.3
Austria	27,700	-12.5	Total market	1,093,920	+12.9

*Provisional figures. Source: European Automobile Manufacturers Association (Acea)

■ The increase in orders for west Germany's manufacturing industry slowed in April to just 0.5 per cent over the previous month, compared to a 3.1 per cent increase in March. The main factor behind the slowdown was a reduction in export orders of 1.5 per cent, according to the federal statistics office, whereas domestic orders actually increased by 2 per cent. *Quentin Peel, Bonn*

■ Net direct foreign investment into Hungary rose to $78m in March from $20m in February, the National Bank of Hungary said. The cumulative total of $186m in the first quarter of the year was down from $296m in the first quarter of last year.

HK seeks to stem prices by releasing land

By Simon Holberton in Hong Kong

The Hong Kong government yesterday announced measures, including an increase in the supply of land for residential development and changes to the way builders bring property to market, which it hopes will check the rate of price rises in Hong Kong's overheated residential property market.

The government's overriding objective has been to be seen doing something about rising house prices, but not enough to precipitate a crash in the valne of what remains most people's principal asset. Yesterday's mainly supply-side measures were seen by analysts as fitting that requirement.

The government said it planned to allocate an extra 70 hectares of land for residential development in the years before 1997-98, including 15ha in the current year. The release of this land, however, will need China's approval.

Beijing has in the past indicated its concern about property prices but has yet to give its response. The government also reminded China thet an early agreement on financing Hong Kong's new airport would free even more land for residential development.

The government has asked property developers to cut to 10 per cent from 50 per cent the number of flats they allocate to insiders, such as staff and associates. On current levels of construction this wonld add 10,000 flats to the open market. It has also made changes to rules governing the pre-sale of housing and its financing.

Mr David Faulkner, partner with Brooke Hillier Parker, a firm of surveyors, said: "I think it's going to dampen enthusiasm. But it won't lead to a crash, there are too many genuine buyers out there."

Residential property in Hong Kong has become prohibitively expensive for ordinary people. A 600 sq ft flat on the south side of Hong Kong island costs about HK$3.5m (£301,000). The market has been propelled upwards by strong demand from the mainland – where a Hong Kong flat is seen as a status symbol – and the growth of the colony as a financial and business centre for foreigners doing business in China.

The government said it would monitor the effect on property prices of yesterday's measures. If "excessive speculation" continued it would consider introducing tougher measures, such as punitive stamp duty on short-term transactions and financial penalties for hoarders of empty flats.

Housewife who built empire from nothing

China's economic surge is producing a new breed of tycoon, **Alexander Nicoll** writes

Mrs Kader: 'They say I am made of iron and it is true' Ashley Ashwood

As China's economic surge throws up a new breed of tycoons, few can be more unusual than Mrs Rabia Kader.

Mrs Kader is an ethnic Uighur Moslem who has built up a business empire out of nothing in Urumqi, the capital of Xinjiang Province in the far west of China. She has managed to do so despite the deep-seated worries of the Chinese authorities abont tha position of the ethnic minorities who make up 60 per cent of Xinjiang's 15m population.

A 4 square metre shop which Mrs Kader opened in 1982 has turned into a 10,000 square metre shopping centre in the heart of Urumqi. The centre is only part of fast-growing property, trading, agricultural and manufacturing interests grouped under the umbrella of her Xinjiang Arkider Industrial and Commercial Corporation.

"What I have gained today is not something easy," Mrs Kader said in an interview during a visit to London. "It is the result of long struggle and of not sleeping for many months. People say I am made of iron. And it is true."

Mrs Kader is in Britain to seek UK investment in Xinjiang, to buy machinery for her factories and to find a location for a Uighur restaurant she would like to set up in London. Sha also wants to set up shops selling silk, fruits and other Xinjiang produce.

She is reluctant to talk in detail about the problems she faced in establishing herself. Before the death of Mao Zedong in 1976, she was a housewife eking out extra income through buying and salling goods such as wood and *liang fu*, a Uighur concoction of tomato powder and garlic said to be good for the digestion.

"We were always depressed," she says of that time. "Any initiative was assumed to ba capitalist." But, starting with only the equivalent of $10, she began to do business in earnest as early as 1977, the year before Deng Xiaoping began to open np the economy.

In 1980, with her eighth child only 40 days old, she embarked on a gruelling tour of China's big cities, beginning in Shanghai. "At that time I hardly spoke Chinese at all. I brought together buyers and sellers and even cooked Moslem food for Islamic businessmen."

Mrs Kader traded textiles, clothes and food. She bought goods from Moslems who had gone on pilgrimages to Mecca. The small shop she opened in Urumqi in 1982 became a rapidly-growing focus for her business.

As the 1980s unfolded, successive relaxations of official controls made it easier to do business, culminating in last year's award to border provinces of privileges similar to those enjoyed by the booming coastal regions.

Mrs Kader is careful to give credit to the central government in Beijing and the provincial authorities in Urumqi. "In the past 15 years since Deng Xiaoping came to power, China has been moving in the right direction."

Although she is a member of the Chinese People's Political Consultative Conference, an advisory body on which elder statesmen and other successful figures sit, Mrs Kader professes to have no interest in politics. "I am just an entrepreneur," she says. "I concentrate on making money and on how I can contribute to the economy of Xinjiang Province. I don't pay attention to politics at all."

Her protestations are understandable, given her sensitive position, as well as that of her husband, who is a scholar of Uighur history. Uighurs, whose language is close to Uzbek and Turkish, number 7m in Xinjiang, China's largest province by area, though ethnic Han Chinese tend to occupy top official positions.

The Chinese authorities are perennially concerned about Uighur nationalism, especlally following the break-up of the Soviet Union and the emergence of the new "silk route" states which border on or are close to Xinjiang, and with which Mrs Kader trades actively.

China's premier, Mr Li Peng, toured Uzbekistan, Turkmanistan, Kyrgyzstan and Kazakhstan in April, seeking to strengthen commercial ties partly to ward off ethnically-inspired friction; in Kazakhstan, for example, there are militant Uighurs who seek independence for Xinjiang.

Mrs Kader's success is controversial even within the Uighur community. "Moslem women are normally supposed to stay at home and look after their husband. It is very rare for e Moslem woman to travel so widely. A lot of people complained and were jealous."

But, she says, "I am determined I must succeed. If a man can do it, a woman can do it too."

Her present fortune can only be guessed at, hut is substantial. She says she does not want to pass on the business to her 11 children, whose ages range from 30 to 3, because she wants them instead to acquire knowledge, for example of high technology. "I will pay for their degrees in subjects which are useful to society, because I did not have such an opportunity."

Governor 'reproved' over budget

Patten censured by legislature

By Simon Holberton

Mr Chris Patten, Hong Kong's governor, yesterday made colonial history when he became the first of the colony's 28 governors to be censured by the local legislature.

By a vote of 21 to 11 the Legislative Council (LegCo) voted in favour of a motion "reproving" Mr Patten for "acting against to will of the public" in denying LegCo the right to amend the government's budget.

More important than the actual point of contention was the ill-feeling towards Mr Patten that emanated from the pro-democracy wing of LegCo – hitherto the governor's staunchest body of support. Last night he was accused of being "dictatorial", "colonial" and falling short of his own rbatoric about "accountability".

Recently Mr Patten has rebuffed pro-democracy legislators' attempts to promote civil liberties. His supporters believe he has been reigned in by the British government which has lost its stomach for any more fights with China about Hong Kong.

A broad coalition of legislators had wanted to reduce property taxes.

Under Hong Kong's constitution – the Queen's instructions to the governor – only the executive branch of government can tax or spend taxpayers money. Mr Patten, as his predecessor had done, invoked the Royal Instructions to thwart a proposed amendment.

US re-awakens its interest in OECD affairs

By Peter Norman in Paris

The US has rediscovered the Organisation for Economic Co-operation and Development.

During the Reagan and Bush administrations, the Paris-based forum for economic policy co-operation among the world's top industrial nations was of declining interest for Washington, although the US is its biggest shareholder. But this year's annual ministerial meeting, which finished yesterday, attracted an unusually high-powered US delegation.

Mr Warren Christopher was the first US secretary of state to attend an OECD ministerial meeting in over 10 years. He was flanked by Mr Lloyd Bentsen, the Treasury secretary; Mr Ronald Brown, Commerce secretary; Mr Robert Reich, Labour secretary; Mr Mickey Kantor, US special trade representative, and Ms Laura Tyson, head of President Clinton's council of economic advisers.

Mr Christopher made clear the Clinton administration had high ambitions for the OECD. It could "be a model and an instrument of wider integration in the post-Cold war world", rather like its predecessor, the OEEC, in Europe in the early post-war years.

The OECD, through its policy analysis and co-ordination, could help more countries enter the community of advanced industrial nations, Mr Christopher said. It could "assume a new importance in the architecture of the global economy, as a bridge between the Atlantic and Pacific industrial economies."

Mr Christopher and Mr Brown praised the efforts of the OECD in recent years and the role of its secretary-general Mr Jean-Clande Paye.

But the sudden enthusiasm of the world's largest industrial state for the OECD is a mixed blessing for Mr Paye, who is seeking another five-year term from the end of September after 10 years in the job. US officials stressed yesterday they were determined to maintain their support for Mr Donald Johnston, Canada's candidate for the post.

As expected, the meeting failed to reach consensus on the appointment, leaving OECD ambassadors to continue talks on the merits of Mr Johnston, Mr Paye, Mr Nigel Lawson of Britain and Mr Lorenz Schomerus of Germany.

Pakistan urges release of Britons

By Alexander Nicoll in London and Farhan Bokhari in Islamabad

The Pakistan government and Pakistan-based militant groups yesterday called on the captors of two Britons in Indian-held Kashmir to release them unharmed. Indian troops launched an extensive search for the two, Mr Kim Housego, 16, and Mr David Mackie, 36, who were captured on Monday by gunmen.

The Moslem militant group Harkat-ul-Ansar said it had kidnapped them to highlight human rights abuses by Indian troops in Kashmir. "It is not true that we have abdncted them to secure the release of our three leaders," the group said in a statement delivered to the Reuters office in Srinagar, Kashmir's summer capital.

The statement said they would not harm the Britons but warned India against using force to free them.

A note demanding the release of three jailed guerrillas had been left with Mr David Housego, Kim's father and former Financial Times correspondent in New Delhi, who had been trekking south-east of Srinagar with his wife and son and Mr and Mrs Mackie.

Pakistan condemned the kidnapping and appealed for the release of the captives, though it also said India must stop human rights abuses in Kashmir and release detained Kashmiri leaders.

Mr Mohammed Farooq Kashmiri, a leader of the Harkat-ul-Ansar group in Muzaffarabad, Pakistan, said it had appealed to the captors to immediately release the hostages: "We have no involvement or interest in this matter."

Mr Amanullah Khan, leader of the militant Jammu and Kashmir Liberation Front, also called last night for the captives to be released.

China, N Korea 'interdependent'

Seoul sanctions plea is snubbed

By John Burton in Seoul, Michiyo Nakamoto in Tokyo and Jill Barshay in Kiev

Mr Han Sung-joo, South Korea's foreign minister, arrived last night in Beijing on a hastily-arranged mission to seek Chinese support for sanctions against North Korea, as China re-affirmed the closeness of relations with Pyongyang.

China's President Jiang Zemin told North Korea's military chief of staff ties between their two countries were "interdependent, like teeth and lips," according to the Chinese news agency Xinhua.

South Korea's President Kim Young-sam said sanctions were unavoidable if North Korea kept refusing full nuclear inspections. Mr Lee Hong-koo, South Korea's national unification minister, predicted it would take two to four weeks for the UN Security Council to adopt a resolntion seeking sanctions.

Tha US, Japan and South Korea are backing a resolution to impose immediate but gradually-escalating sanctions; China is opposing the plan and urging continued talks instead. "Sanctions are not a sensible choice; they would only aggravate the crisis," the China Daily newspaper quoted foreign minister Qian Qichen.

Japan's foreign minister is scheduled to fly to Beijing over the weekend for emergency consultations. Prime Minister Tsutomu Hata remained hopeful Beijing would be able to use its influence to convince North Korea to agree to inspections. "China has tremendous influence over North Korea. It is making various kinds of efforts through dialogue which I hope continues."

On a visit to Kiev, Ukraine, North Korea's foreign minister, Mr Kim Yong-nam, urged the US to sit down "for a third round of talks" to resolve the differences. Nuclear inspections could then be allowed and nuclear fuel preserved and measured, he added. If direct North Korean-US dialogue was not resumed, "not only the nuclear problem won't be solved, but it will seriously aggravete the situation."

Pyongyang has barred an examination of suspected nuclear waste dump sites and threatened to quit the nuclear non-proliferation treaty if sanctions are imposed. "The target of North Korea's nuclear weapons is us. We have to stop North Korea from developing them at any cost," South Korea's President Kim told the National Security Council.

The North had made it "almost impossible" to find the truth about its suspected nuclear weapons programme after refuelling a reactor without International Atomic Energy Agency supervision. The IAEA said North Korea had virtually completed the discharge of spent radioactive fuel from the Yongbyon reactor.

Jordan lines up a cabinet for peace

By James Whittington in Amman

Jordan yesterday announced a big cabinet reshuffle, in the wake of progress in the kingdom's peace talks with Israel, in which nearly all the main political parties, apart from the Islamists, were given posts.

The changes to 16 portfolios were aimed at closing the gap between the government and parliament, which have had a fractious relationship since parliamentary elections in November 1993. The key portfolios of information, foreign affairs and finance were not, however, affected.

But by appointing a number of MPs to cabinet posts Mr Abdel Salam al-Majali, the prime minister, had hoped to soften rising dissatisfaction against his policies of peace and economic adjustment in the lower house.

A number of leading politicians including members of the fundamentalist Islamic Action Front (IAF), neverthelass refused to join.

The IAF, which holds the largest bloc of 16 seats in the 80-member parliament, is opposed to Jordan's participation in the peace process which has reached a crucial stage.

On Tuesday, Jordan agreed with Israel to push ahead with items on its common agenda, signed in Washington last year. If successful this may include resolving key issues such as territorial and water disputes over the next few months. Mr Jawad Anani, the information minister, said that as a result of new developments in the peace process, Jordan must "mobilise all our energies and unite".

The regime's failure to persuade the Islamists and other influential figures to join the government, however, is likely to mean that tension between parliament and cabinet will continue.

Bougainville negotiations called for

By Nikki Tait in Sydney

A delegation of Australian MPs, among the first "outside observers" to visit the strife-torn island of Bougainville, yesterday recommended that Mr Paias Wingti, Papua New Guinea's prime minister, and other top politicians should visit the island in soon in an effort to reconcile interest groups there.

It said it was imperative that a ceasefire be negotiated "by whatever processes can ensure its acceptance and maintenance by all parties" and that "concurrently with the ceasefire, medical supplies and food should be made freely available". The delegation said in a report report that "sympathetic third party involvement" could assist this process. The notion of establishing a regional peacekeeping force – drawn from the likes of Fiji, Vanuatu and Tonga – has been mooted recently.

The report also suggested that Australia could host peace talks, and should use its substantial aid programme to PNG to boost humanitarian relief and address infrastructure problems.

Reform protest poses threat to Thai coalition

By William Barnes and Reuters in Bangkok

Thailand's coalition government was last night struggling to deal with a protest in favour of constitutional reform that threatens to blow up into a political crisis.

A marginal political figure, Mr Chalard Vorachat, a former MP, has projected himself into the forefront of national political debate with a two-week hunger strike to demand the scrapping of the constitution, drafted in the aftermath of a 1991 military coup.

About 3,000 people rallied outside the Thai parliament yesterday in his support, echoing protests that eventually brought down a military-dominated government in May 1992. The government has rejected his demands saying there are no legal provisions for scrapping the constitution and any changes must be made by amending the present one.

Compromise appeared to have been reached on Tuesday when officials from Prime Minister Chuan Leekpai's Democrat party expressed support for a proposal from Mr Chalard for a special committee to study ways to draft a new constitution. But hours later Democrat officials denied that support and expressed firm opposition to a new constitution.

The switch raised the political temperature on Wednesday and posed questions about the stability of the coalition.

There remains the danger that the coalition's Palang Dharma (Buddhist way) party, led by the unpredictabla former mayor of Bangkok Mr Chamlong Srimuang who has taken Mr Chalard's side, may put pressure on Mr Chuan so he has to replace Palang Dharma with a right-wing party or dissolve parliament.

The opposition, which recently combined with the military-dominated Senate to throw out the government's attempt at reforming the constitution, have performed a classic political U-turn to support Mr Chalard. About 3,000 political activists, students and workers heard speakers lambast Mr Chuan at last night's rally

Dr Weng Tochirakarn, a member of the newly-created Organisation for Political Reform, said "I am not happy. The tension has now increased and it could lead to serious consequences."

Nepal dam plan a ticket to development – or waste of money

Stefan Wagstyl on $770m hydro power project due for World Bank decision soon

The World Bank is due next month to decide whether to fund a controversial $770m (£513m) hydroelectric dam in Nepal after eight years of debate involving the bank, the Nepalese government and the project's increasingly vocal critics.

Bank and government officials believe the scheme will help put one of the world's 10 poorest countries on to the path of economic modernisation by exploiting water, its most valuable resource.

Opponents say the project, Nepal's biggest investment, is too big and too expensive. They say the country should first tackle other smaller schemes before investing the equivalent of more than the government's annual budget on a single dam on the Arun river in northern Nepal. The opposition is led by about 30 Nepalese, US, and European non-government development organisations, which are orchestrating campaigns in Kathmandu and in Washington.

World bank officials concede that, even though about 80 per cent of costs will be covered by foreign aid grants, the Arun project could strain Nepal'a fragile public finances unless the government carries out a comprehensive financial overhaul. But they say the government has already started the overhaul, so the risk is worth taking.

The bank is promoting the project at a time of growing international concern about evidence that big dams in developing countries often do not deliver expected economic benefits and sometimes cause unexpected problems.

The Arun dam is to be built in a remote, rocky and sparsely populated valley. Only about 150 families will be displaced. Local people mostly want the dam because a 70-mile access road to be built along the valley will connect its 450,000 inhabitants to the outside world.

Environmental concerns are not central to the argument either: the dam will be wedged into the river bed and only a small lake will be created behind it since the normal flow of the river will be sufficient to power the turbines.

The debate centres on economics. The Nepalese government first considered the project in the mid-1980s and reviewed it after the overthrow of the country's royalist administration and the establishment of democratic rule in 1991. Early proposals for a multi-dam 1,100MW scheme were shelved in favour of one dam with a capacity of 201MW - to be followed by a second 201MW dam later. The first dam alone will produce almost as much power as Nepal's existing generating stations which have a capacity of just 230MW.

The government argues that Nepal must be bold if it is ever to ease its power shortages. Only 10 per cent of the 19m population now has electricity, and even they suffer frequent cuts. The country cannot neglect the value of its 42,000MW of potential hydroelectric generating capacity. With the help of the Arun project, Nepal can think of modern industries. "Arun is our ticket to sustainable development," says Mr Binayak Bhadra, a member of the government's National Planning Commission.

The critics charge that the Arun project is expensive since it costs $3.8m per megawatt of installed capacity, compared with $2.5m and less for smaller schemes. They add that because of the time needed to build the road, the Arun project will not produce electricity for at least eight years, so other schemes are needed now. These include village-level micro-dams, medium-sized dams for towns and at least one large project – a $300m, 140MW project on the river Kaligandaki in central Nepal. Kaligandaki is more suitable for Nepal than Arun, say the critics, because it will cost only about $2.5m per megawatt of capacity and will be built faster because a road is already in place.

The World Bank argues the Arun project is not expensive because the Kaligandaki river flows strongly for only four months a year whereas the Arun river flows at full force almost all year, so the dam's capacity would be more fully used.

The opponents say donor countries, inclnding Germany and Japan, which are making large bilateral aid contributions to the Arun project, are mostly interested in generating business for their own industries. Mr Bikesh Pandey, Nepal representative of Intermediate Technology, a British non-government organisation, says: "Wa are being railroaded by the donors."

In a limited-circulation report on Nepal completed in March, World Bank officials acknowledge there are dangers. They say the successful financial management of the Arun project depends on the government continuing the economic reforms started in 1991, including raising tax revenues, cutting non-productive spending and further increasing electricity charges to reduce power subsidies.

Otherwise, says the Bank, education and health care will suffer. "Implementing the Arun scheme without substantive fiscal reforms would seriously undermine human resource development and broad-based growth and development."

NEWS: WORLD TRADE

IFC hopes to set up Palestinian funds

By Nancy Dunne in Washington

The International Finance Corporation, the World Bank'a private sector arm, hopes this year to establish the first of a series of investment funds to promote business development in the Occupied Territories of the West Bank and Gaza.

"If we can structure a fund in a proper fashion, we would be able to attract a fair amount of Palestinian money abroad," said Mr Andre Hovaguimian, IFC's director for the region. "We will start small – $25m to $50m. If you start big the money will be squandered.

The fund will be "superbly managed" by technical partners in the US or Europe. "So when the money is used up there is no problem in getting another $50 or $100m."

IFC has set up over 30 funds around the world since its first fund in South Korea in 1982.

Mr Hovaguimian said three areas in the Occupied Territories require immediate attention: house building, infrastructure development, and financial services. "Employment generation is the key to peace," he said. "Unless we get people off the streets, we won't have much of a peace process."

IFC last week approved, as its first investment on the West Bank, participation in the Arab Palestine Investment Bank. This will be the first comprehensive commercial and investment banking institution in the territories which now gets by with one small bank in Gaza and branches of two Jordanian banks.

The small institutions lack the capacity to mobilise and allocate funds for industrial development, said Mr Hovaguimian. There are now about 3,700 small and medium-sized enterprises and 40 large companies in the territories, which have mostly had to rely on advances by sponsors or informally raised short-term capital.

As is typical, IFC will only take shares of the fund – in this case np to 25 per cent. It will also extend a credit line of $25m for lending to small and medium-sized businesses.

The Arab Bank group, a diversified international commercial and investment banking group in Amman, will hold 51 per cent of the equity. The rest will he subscrihed hy European institutions and Palestinian investors.

Various IFC projects are being studied, including the establishment of a bank to finance housing construction. Future projects could involve promotion of businesses making construction materials.

Mr Khaleel Ahmad, IFC investment officer, said the region had a competitive advantage in tourism, which a real peace could promote, and in light industry. Thanks to Israel, which established at least seven universities in the area, the occupied territories now has a highly educated and skilled workforce.

BPB plans Berlin plasterboard plant

Eastern Germany has become Europe's fastest growing construction market, Andrew Taylor and Judy Dempsey report

Plans to build a £50m plasterhoard plant in Berlin were announced yesterday hy BPB Industries of Britain, continuing the heavy investment hy European building material companies in eastern Germany.

Tha region has hecome Europe's fastest growing construction market as authorities seek to satisfy demands for improved living standards in the east and accommodate the many immigrants who have flocked to west Germany in the past five years.

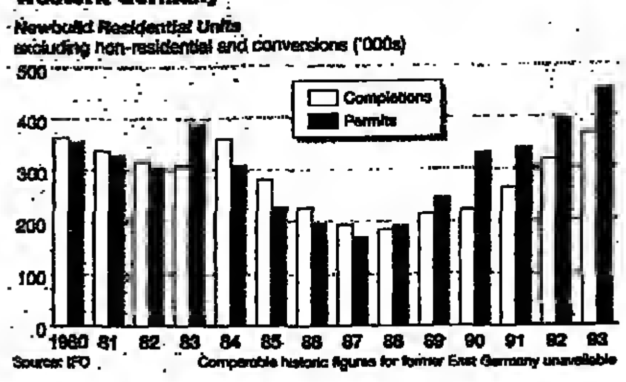
Last month Lafarge Coppée of France, Europe's second largest plasterhoard maker, behind BPB Indnstries, announced the construction of a DM75m (£30m) plant at Lubbeoau, eastern Germany, to serve the local market and eastern Europe, particularly the Czech republic.

The French company since 1990 has spent approaching FFr2bn (£233m) to acquire and modernise eastern Germany's biggest cement works at Karlsdorff, near Leipzig, supplying about 30 per cent of the region's increasing demand for cement.

RMC of Britain, the world'e biggest coocrete producer, expects to have spent nearly £500m by 1995 acquiring and modernising cement works, aggregate quarries and ready-mixed-coocrete plants in eastern Cermany.

The big rise in German housebuilding shows no sign of slsckening. The five eastern states, in the first three months of this year, issued building permits for the construction of 23,500 homes, up 121 per cent on the corresponding period last year.

In western Germany the number of oew building permits rose by about a fifth during the first quarter, to provide some 115,000 bomes.



Total permits, including new building, flat cooversions and homes in non-residential buildings, last year rose 14 per cent, to 524,000, in western Germany and 223 per cent, to 82,600, in eastern Cermany.

In Britain, by contrast, work started on 185,500 private and public sector homes last year, an 18 per cent increase on the previous year's 156,500 housing starts.

Redland, another large British building material group and Europe's biggest roof tile producer, last year earned more profit in eastern Germany than it did in the whole of the UK. The company, through its 50.8 per cent-owned German subsidiary, will by the end of this year operate seven tile plants, two chimney making works and one brick plant by in eastern Germany.

BPB, announcing its plaos for the Berlin works, said Germany buys about 160m sq metres of plasterboard a year. It expects this to rise to 240m-250m sq metres within 10 years.

Mr Alan Turner, BPB's chairman, said the Berlin plant would be able to produce 50m sq metres, making it one of the worlds largest single line plasterhoard factories. It may also supply eastern European countries such as Poland and the Czech Republic, and is expected to be operational within two years.

Plasterhoard is a prefabricated, light, easy-to-use material, ideal for the inner walls of homes and for partitioning offices. It is widely used in the US and Scandinavian countries and has been gaining market share in Britain and France and to a lesser extent Germany.

The eastern region of the country is likely to continue to lead the growtb in Cerman overall construction demand, with total orders rising by 35.5 per cent during the first three months of this year.

The federal governmeot last year invested more than DM18.3bn upgrading the region's infrastructure, a rise of 15 per ceot on the previous year. Private companies invested DM35.3bn in the non-resideotial property, up 22 per ceot. More than DM33.9bn was invested in private housing, a rise of 42.2 per ceot.

Boeing sues Airbus over patents

By Paul Betts, Aerospace Correspondent

Boeing is suing Airbus as well as the British, French and German partners in the European consortium for alleged patent infringement over a wing slat and flap actuator mechanism.

It is the first time Boeing, the world'a largest maker of commercial aircraft, has launched a law suit against its European rival, it confirmed in Seattle yesterday.

The writs have been filed in the UK, Germany and France against Airbus Industrie, British Aerospace, Deutsche Aerospace and Aérospatiale.

Airbus yesterday vigorously rejected the charges. "We totally dispute the Boeing claims and we have instructed our lawyers to fight the action," a senior official said in Toulouse. Airbus described the Boeing action as "completely misconceived" and said it was "confident as to its outcome".

Although Boeing declined to give details of its complaint, it confirmed that the alleged patent infringement involved wing parts for its 757 twin eogine airliner as well as its new 777 wide-body aircraft.

Boeing would not disclose which Airbus aircraft was involved in the allegation, but it is understood to involve all Airbus airliners dating from the A320 twin-engine, 150-seater aircraft, the A321 stretched version of the A320 and the new A330 and A340 family of Airbus wide-body airliners.

British Aarospace has overall design responsibility on the slats and flaps on these Airbus airliners, for which it manufactures all the wing sets.

Brazilian nominated to lead WTO

By Frances Williams in Geneva

Mr Rubens Ricupero, Brazil's finance minister and former Gatt ambassador, has been officially endorsed by his government as Brazil's candidate to head the World Trade Organisation, and looks set to win wide Latin American support.

The decision was notified yesterday to Mr András Szepesi, chairman of the contracting parties of the General Agreement on Tariffs and Trade, who is in charge of the selection process. The WTO is due to succeed Gatt next year.

The other official candidate so far is Mr Renato Ruggiero, former Italian trade minister, who is expected to win the formal endorsement of the European Union, probably at the Corfu summit this month.

Though Gatt's top joh has traditionally gona to a European, many devefoping country members feel the time has come for one of their own in the WTO slot.

Latin American candidates put np a strong showing against Mr Peter Sutherland, the present Gatt chief, in last year's contest. Mr Sutherland has ruled himself out of the WTO race.

Mr Ricupero, 57, is an old trade hand. He was Brazil's Gatt ambassador from 1987 to 1991, when the Uruguay Round trade talks were in full spate, and has held all the main elective Gatt posts including chairman of its governing council and of the contracting parties (members).

Mexico-US sugar row looms

Ted Bardacke on a potential trade dispute with its roots in Nafta

A planned switch hy Mexico's Coca-Cola bottlers from domestically produced refined sugar to imported corn syrup is threatening to set off a trade dispute betweeo the US and Mexico, the world's largest per capita consumer of soft drinks.

It all began with last-minute changes to the sugar export provisions of the North American Free Trade Agreement, which both the US and Mexico argued were necessary to win ratification of the accord in the US Congress. The original rules gave Mexico an annual sugar export quota of 250,000 tonnes, which the US promised to lift automatically if Mexico proved to be a net sugar exporter for two consecutive years.

This rule was designed to prevent Mexico from importing cheap sugar to satisfy national demand while exporting domestically produced sugar to the US market where tariffs keep prices high. Uoder the revised provisions, Mexico agreed that imports of corn syrup would be included, thus preventing soft drink bottlers and other industrial users from switching to imported corn syrup to free up sugar for export. A third of Mexico's average 4m-tonne annual sugar production is coosumed hy industries that could switch to cheaper corn syrup.

Now, as Coca-Cola bottlers study plans to switch – for a capital outlay of between $1m and $2m per bottling plant they can save several million dollars a year on raw materials and transportation costs – they and the US Corn Refiners Association are accusing Mexican trade officials, sugar producers end Pepsi bottlers of erecting an emhargo against corn syrup.

The CRA has alleged that the Mexican sugar industry with the support of Dr Jaime Serra Puche, Mexico's minister of trade, has put pressure on Mexican bottlers not to use high-fructose corn syrup. It also alleges that bottlers bave been threateoed with a boycott by sugar suppliers – which would mean they would bave to convert 100 per cent to a sugar replacement – if they do not co-operate.

The trade ministry is under political pressure to protect the domestic sugar industry. Militant sugar workers hurt by the industry'e privatisation have taken over various mills while others are permanently camped in front of the presidential palace in Mexico City.

Coca-Cola bottlers say that sooner or later competition from low-cost imported soft drinks made with corn syrup will force them to move away from refined sugar.

The boycott threat would be real only if domestic sugar producers can limit the amount of sugar traded on Mexico's sugar futures market, wbich began operations in March. So far only 38 per cent of monthly sugar purchases are taking place on the market. The rest is sold directly hy mills to industrial users and by middlemen wbo still control about 30 per cent of the sugar trade.

Coca-Cola bottlers say that with such little volume traded oo the new market, they would be forced to pay even higher prices for their principal raw material should mills cancel their direct contracts. The current average price of refined sugar traded on tbe futures market – $656 a tonne – is already about 7 per cent higher than industrial users pay in their direct contracts with refiners.

NEWS: THE AMERICAS

Strict measures planned to back new currency

Brazil aims to deter price rises

By Angus Foster in São Paulo

Brazil is preparing tough legal measures to deter companies from raising prices after the country's new currency is introduced on July 1. The measures are also partly designed to deflect criticism that the government's economic stabilisation plan, launched last December to tackle near-hyper-inflation, has benefited business rsther than consumers.

A so-called "anti-trust" law was approved by the lower house of Congress on Tuesday and is expected to be passed by the Senate next week.

The measures expected to be adopted include:

- Heavy fines or even prison sentences for those found guilty of implementing "unjustified" price increases and "excessive" prices;
- Companies controlling 30 per cent of a market will be defined as dominant and subject to special scrutiny;
- Mergers or alliances between companies controlling more than 30 per cent of a market will need clearance from a newly empowered watchdog, known as Cade.

The law has been under discussion for a year but its implementation has become a priority only in recent weeks. The government fears that without such a law in place it will be powerless to deter companies from raising prices in the new currency, the real, thereby leading to another inflationary spiral.

Heavy lobbying from the business community, which feared that the new controls could be too subjective and open to political abuse, led to some measures being watered down. Prison terms will now be handed down only if there is clear avidence of "crimes against tha economic order" and definite individual responsibility, which is expected to be difficult to prove.

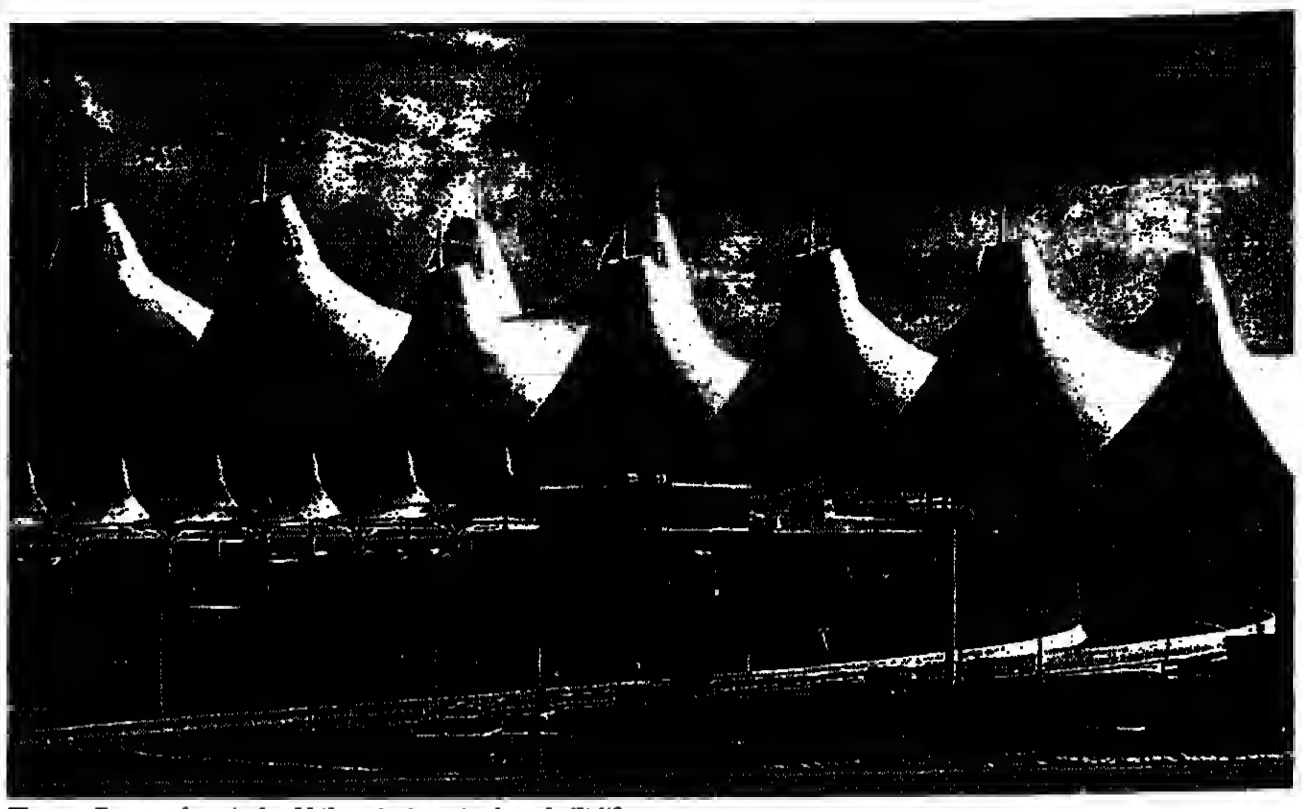
Analysts said the new law was important to deter outright price abuses especially since, following five years of deregulation, the government has less control over the economy. But some price rises, especially for services, will be impossible to prevent. In previous currency switches, the government has usually imposed some form of temporary price freeze. This time the government has shunned all such "magic" measures.

But some observers said the new law, if passed, would be important as a propaganda weapon to calm the doubts of consumars, who have seen inflation increase to about 45 per cent a month since plans to introduce tha new currency were announced.

Approval should stem criticism from the populist President Itamar Franco, who is unhappy about price rises and high interest rates. Any reduction in interest rates now would be dangerous because of the need for tight monetary policy following the real's introduction.

White elephant fails to take flight

Richard Tomkins looks at Denver's ill-fated new airport



The new Denver airport: should the private sector have built it?

Poor Denver. By now, the state capital of Colorado should have been the proud owner of the first new airport in the US for nearly 20 years. Instead, repeated delays to the opening have left the city with egg all over its face. Now critics are asking: Was the whole thing a waste of money?

The \$3.2bn (£2.1bn) project looks like an exercise in magnificence. The 1.4m sq ft terminal building has a Taflon-coated fabric roof shaped into 34 peaks symbolising the nearby Rocky Mountains. Soft, shadowless light filters down through the roof to illuminate the Great Hall beneath, a 126ft-high atrium paved with Italian black granite and running the length of three football fields. The terminal incorporates more than \$7.5m worth of fountains, sculptures and other works of art.

The only trouble is, there are no passengers in it. The airport was to open last October, but the company that built the compnterised baggage handling system – BAE Automated Systems, a Dallas subsidiary of BTR, the British conglomerate – cannot get it to work properly, and the opening has been postponed indefinitely.

US news media are now compounding the city's embarrassment by asking why the airport was built at all. Never mind that it is late in opening and cost nearly twice the original estimate of \$1.7bn, they say: it is a white elaphant, planned at a time when traffic was growing more rapidly and when US airlines could afford higher landing fees.

For the past 65 years, passengers flying in and out of Denver have used the handy Stapleton airport just outside the city centre. That airport was due to close when the new Denver International Airport opened 24 miles to the north east because the city said it was too small to cope with forecast traffic growth.

But critics such as Mr Michael Boyd, an aviation consultant in nearby Golden, Colorado, suggest that Mr Federico Peña, mayor of Denver in the mid-1980s, drove the scheme through more for political advancement than on the basis of any sound economic justification. (Mr Peña is now US transportation secretary.) Traffic forecasts were inflated to justify the new airport's construction, Mr Boyd suggests. With a bit of adjustment to the runway configuration, Stapleton could have accommodated the traffic for years.

City officials concede that traffic declined between 1986 and 1990, but say it is growing rapidly again. Stapleton is operating close to its maximum capacity, they say, and there is simply no room for expansion.

Just as important, federal regulations do not allow Stapleton's two main parallel runways to be used simultaneously in poor visibility because they are too close together. That reduces the number of flights it can handle from 90 an hour to 30 in bad weather, making the airport one of the worst in the US for delays. The new airport, with three parallel runways that can be used simultaneously whatever the weather, will solve that problem at a stroke.

Even the project's severest critics tend to agree that Denver would have needed a new airport eventually. Their main argument is that the one it decided to build was too much, too soon. If they are right, who will pay the penalty?

Not the taxpayer, it seems: the airport's construction was funded through bond issues that carry no government guarantees. Nor do the bondholders seem likely to lose their money: the extra costs of tha project will be reconped through higher landing fees for the airport's users.

Critics say the local economy will suffer because these higher landing fees – about \$15 a passenger compared with \$7-\$8 at Stapleton – will drive airlines away. These fears were reinforced when Continental Airlines, one of Denver's two biggest operators, announced recently that it was axing 24 per cent of its flights in and out of the city.

Yet Continental says it is pulling back from Denver because it sees better business opportunities in the east coast market, not because of higher landing fees; and in any event, the gap is rapidly being filled by United Airlines, Denver's other big carrier.

Meanwhile a fledgling carrier, Frontier Airlines, is about to adopt the new airport as its base in spite of the higher fees. Once a big operator at Denver until it went bankrupt in the 1980s, Frontier said it would not have been going back into business if the new airport had not been built.

Meanwhile city officials console tbemselves witb tbe thought that virtually every new airport is regarded as a white elephant when first built, but seldom stays that way for long. As to the suggestion that Denver's airport might have been built more quickly and cheaply if the private sector had been given the job, they murmur: "Oh? Like the Channel tunnel?"

Tougher sanctions for Haiti this week

By George Graham in Washington

President Bill Clinton is expected to announce tougher economic sanctions against Haiti this week as the US moves to implement recommendations from the Organisation of American States to tighten the noose on the country's economic elite.

Mr William Gray, the former congressman who has been named Mr Clinton's special adviser on Haiti, said yesterday he expected the US to ban commercial flights and freeze financial transactions with Haiti in the next few days.

"I have confidence that sanctions can create an environment where people come to their senses," Mr Gray told the House of Representatives foreign affairs committee yesterday.

Other nations in Latin America and the Caribbean have also promised to contribute troops for an eventual United Nations mission to provide civil law enforcement in Haiti if and when the military coup leaders step down and allow the return of ousted President Jean-Bertrand Aristide.

Mr Gray said the broad embargo imposed by the UN on May 21 was the first real attempt to apply serious economic pressure to Haiti, since an earlier ban on supplying fuel and arms had been very narrowly targeted.

The new measures were agreed last week by the four countries – Canada, France, the US and Venezuela – which have taken the lead in efforts to restore democracy to Haiti since the military coup in 1991, and approved as recommendations by the OAS this week.

Critics of the Clintoo administration's policy on Haiti have complained that sanctions so far have hurt only the country's poor, while the wealthy businessmen who have provided much support for the military coup leaders have been able to fly freely to Miami to stock up on groceries and other supplies.

Mr Gray said that efforts to stop the flow of goods across Haiti's land border with the Dominican Republic had been 75 to 80 per cent effective, and that the sanctions were taking a toll on the wealthy, as well as the poor.

"Our intelligence tells us that there are many who are beginning to feel already, after only three weeks, the bite of the sanctions. This business elite which has supported the coup leaders will not be able to sit back and wait six, eight months before they feel the pain," he said.

Oxford teaches Clinton the Latin for gridlock

By Bernard Gray in Oxford

President Clinton (left) and Lord Jenkins in Oxford yesterday Reuter

Oxford tried not to let the visit of the US president cut too heavily into its routine yesterday. True, outside the Sheldonian Theatre, where Mr Bill Clinton received his degree by diploma, there was enough electronics and satellite communications equipment to restart the Star Wars programme.

For a modest distance down the street outside there were crowd barriers, and a number of solid-looking figures with wires sprouting from their ears mumbling into their hands. And rather more men than is perhaps strictly conventional in Oxford were standing on roofs and staring into windows through binoculars.

Bnt for the most part the university seemed to inhale deeply and carried on manufacturing world leaders.

The speech given by Lord Jenkins, Oxford's Chancellor, was careful to maintain the university's dignity at the same time as honouring Mr Clinton.

Mr Clinton, dressed in scarlet robes, took some ribbing from Lord Jenkins in good part and said the university had intimidated him before. Following the degree ceremony in Latin, he once more felt like "just another Yank, half a step behind".

Oxford's citation-writers had certainly been hard at it, even managing a Latin transletion of the president's "achievement in resolving the gridlock which prevented an agreed budget".

Mr Clinton also shrugged off a student protest outside the theatre.

As the chanting threatened to drown out his speech, he mildly observed that all forms of debate were clearly still alive in Oxford.

Earlier, after a morning of dour rain, Oxford spared some welcoming sunshine as Mr Clinton's fleet of Chinook and Sea King helicopters clattered into Merton Fields just after midday.

A good crowd turned out to see him land, but he was quickly ushered away for a private walk up Merton Street to the back entrance of University College, where he studied politics as a Rhodes scholar from October 1968 to June 1970.

While he enjoyed a private lunch in his old college, nervous-looking undergraduates spilled from the Examination Schools next door at the end of the morning paper.

This is finals time and some who had finished that lunchtime anded up in the pub which was reported to be Bill Clinton's favourite – the Turf.

By the time the president had finished eating a few streets away, the distinctiva white-tie-and-black-gown subfusc uniforms of some finalists were doing passable imitations of lemon meringue pies, covered in flour, eggs, champagne and crazy foam. Good training for a world leader.

Dead or alive, incumbents do well in US primaries

By George Graham

Results from primary elections in eight US states this week suggest that simmering resentment of Washington insiders is still not enough to reverse the strong electoral advantages of incumbency and money.

The California governorship – which could play a pivotal role in the 1996 presidential election – will, as expected, be fought between incumbent Governor Pete Wilson, who won the Republican party nomination, and state treasurer Kathleen Brown, who won the Democratic primary.

"There's no more important race in the United States, I suspect, for either of the parties but certainly for the Republican party, than Pete Wilson's re-election," Mr Haley Barbour, chairman of the Republican national party, said yesterday.

In the California senate election, Democratic Senator Diane Feinstein will face Congressman Michael Huffington, a wealthy Texan who has spent millions of dollars of his own money on his campaigns.

Members of Congress who bad appeared vulnerable because of their financial or sexual peccadilloes, or their voting records, shrugged off challengers to win their party's nominations for the November general election.

In southern California, Congressman Jay Kim held on to the Republican nomination with 41 per cent in a five-way race, despite charges that he illegally financed his 1992 election campaign through his own business.

Congressman Ken Calvert, another Republican, won his primary with 52 per cent, although some voters were put off by his explanations of what the police had found him doing in a parked car with a prostitute.

Like most other members who have been targeted by trade unions because they voted in favour of the North American Free Trade Agreement, Congressman Mike Parker of Mississippi also survived a challenge.

In another Mississippi district left vacant for the first time since 1941 by the retirement of Congressman Jamie Whitten, the two leaders in each party's primary will enter a run-off election.

The only incumbent ousted yesterday was Republican Governor Walter Dale Miller of South Dakota. He inherited the office when his predecessor died and was defeated in Tuesday's Republican primary by former Governor Bill Janklow.

One incumbent, San Jose city councilman George Shirakawa, even won re-election by an overwhelming margin, despite being dead for more than a month.

Boost for recovery as production up sharply

By Gillian Tett and Philip Coggan

British industrial production and factory output rose sharply in April, indicating that UK economic recovery is increasingly buoyant.

The news was seized as a welcome political boost by the Conservativa government ahead today's European elections. Mr Kenneth Clarke, chancellor, said: "The production figures are the best news on the economy so far this year. Growth is stronger and spread wider."

His upbeat assessment of UK recovery was echoed in the Treasury's monthly monetary report, suggesting the recent downward trend in UK interest rate was firmly ended.

The report was issued as Mr Clarke met Mr Eddie George, governor of the Bank of England for their monthly monetary meeting. Although the details of the meeting are not released for six weeks, the Treasury report, coupled with yesterday's production figures, left most City analysts convinced that the authorities are unlikely to change the base rates from their current level of 5¼ per cent at the moment.

The UK money markets are currently assuming that the Bank of England will raise interest rates to about 6 per cent hy the end of the year, as stronger growth fuels inflationary pressures. However, the Treasury report yesterday indicated that the chancellor was unlikely to endorse any attempt by the Bank of England to push interest rates up in the short term.

Although the report does not provide policy prescriptions, it noted that inflation was now at its lowest level in April since 1967. It also pointed out that in spite of the recent rise in average earnings, wage settlements remained broadly unchanged.

Meanwhile, the report's upbeat presentation of the UK recovery suggested there was little need for a fiscal stimulus in spite of the recent tax rises. "The latest monthly indicators [are] consistent with continuing recovery", the report said.

The strength of the UK economic recovery was further indicated by April's figures for industrial production and manufacturing output. On a seasonally-adjusted basis, the indicators ahowad month-on-month rises of 1.6 and 1.1 per cent respectively. This was well above market expectations, which had centred around a rise of about 0.5 per cent for production and output.

Analysts were encouraged by the breakdown of the figures which showed that production of investment goods was growing at a faster rate than that of consumer goods. In the past, consumer-led UK recoveries have quickly led to balance of payment constraints.

Housebuilding figures published by the government show no sign of the recent slowdown in the housing market recovery reported by some mortgage lenders and estate agents. The figures, however, cover a period before the impact of tax increases in April and the ending of some of the cheaper fixed rate mortgages. The number of new homes on which construction started rose by 4.6 per cent, seasonally adjusted, during the three months to the end of April year-on-year. More recent indications from builders suggest that new house sales, although better than a Year ago, have alowed in recent weeks.

Truck sales up 14.9%

By Kevin Done, Motor Industry Correspondent

Registrations of new commercial vehicles rose by 14.9 per cent in May, as the recovery in the sector accelerated supported by increasing sales of trucks in particular to the construction industry.

Overall new commercial vehicle sales increased last month to 17,598 from 15,311 in the same month a year ago according to figures from the Society of Motor Manufacturers and Traders. Sales in the first five months of the year have risen by 12.9 per cent to 93,083 from 82,482 a year ago.

Commercial vehicle sales, an important barometer of economic activity, are being driven by rising demand for trucks (above 3.5 tonnes), where registrations jumped by 33.4 per cent year-on-year in May to 3,426. In the first five months of the year truck sales have risen by 23 per cent to 16,103 from 13,126 in the same period a year ago.

The upturn in demand was led last year by rising sales of articulated trucks, as long distance hauliers began to renew fleets, but the recovery is spreading rapidly to urban distribution and in particular to the construction sector.

Registrations of three and four-axle rigid trucks, which are chiefly used by the building industry, jumped by 81 per cent year-on-year in May reflecting the recent sharp rise in construction orders.

In the first five months truck registrations in this sector were 59 per cent higher than a year ago, and some truck makers are currently facing problems in coping with the rapid increase in demand.

Truck sales in the UK more than halved during the recession from 69,234 in 1989 to only 31,398 in 1992, but demand began a slow recovery last year with sales rising to 36,358 in the whole of 1993.

Imported vehicles are gaining a growing share, as the commercial vehicle market recovers, given the contraction of UK truck manufacturing capacity in recent years. Imports accounted for 42 per cent of the overall commercial vehicle market in May compared with 38 per cent a year ago.

British growth 'beat Germany'

By Robert Taylor, Labour Correspondent

BRITAIN'S manufacturing prodnctivity growth was "superior," to that of Germany during the period 1979-1989, claims a new study comparing productivity in the two countries over the past 30 years pnblished yesterday by the UK's National Institute of Economic and Social Research.

The report, based on 30 industrial sectors, also found that "at the level of individual manufacturing industries Germany does not so clearly dominate Britain, except in the period from 1973 to 1979.

"Almost half the industries showed a superior British productivity growth performance over the entire three decades to 1989," it added.

German manufacturing productivity peaked in superiority over Britain's in 1979 when only three industries performed better in Britain – leather and footwear; drink and tobacco production.

The study calculates aggregate labour prodnctivity growth in Germany from 1960 to 1989 was "a little less than half a percentage point higher per year than in Britain".

However, only six out of the 30 industries covered had a lower productivity performance in Germany than in Britain in 1989: mineral prodncts, iron and steel, office machinery, electrical engineering, drink and tobacco production. In 1960 13 out of the 30 industries had a better level of labour productivity in Britain than in Germany.

The report suggests that the better UK performance in the 1980s was due to the labour market freeing itself "from the worst forms of restrictive practices" while the German economy was "becoming ever more restrictive".

Britain still lags Germany in the number of manufacturing workers with skills, the volume of resources devoted to research and development and in investment in new plant and machinery.

A workman clears away debris from demolished outbuildings at the Davenport brewery in Bath Row, Birmingham. The local council yesterday made a preservation order preventing the demolition of the main buildings just as bulldozers were about to move in. Conservation officers hope the National Heritage department can safeguard the long-term future of the 1930s buildings Picture: Newsteam

Workers given a voice by Europe

David Goodhart on yesterday's employee consultation ruling

Yesterday's two judgments from the European Court of Justice – on the right of workers to be consulted about redundancies and business transfers – go to the heart of the UK debate about European labour law.

Employer bodies, such as the Institute of Directors, say that whether or not to consult workers is a typical example of the kind of measure which should be decided at national, not European, level.

They add that such European labour law hits British employers much harder than those in other countries hecause the laws tend to reflect the continental European system of labour relations and not the more laissez-faire British one. Trade unionists and other supporters of the European social dimension say that consulting workers is merely civilised practice and one backed hy law in every European Union country apart from Britain.

But what will yesterday's jndgments on consultation actually require from the government and from companies? What it will not do – as some trade unionists claimed yesterday – is give unions a statutory right to recognition or introdnce "works councils" into every British workplace.

In both the 1975 Collective Redundancies directive and the 1977 Acquired Rights directives there is a requirement to inform and consult employee representatives. When those directives were transposed into British law the requirement was restricted to companies which recognise unions. That will no longer be sufficient.

The government, which was yesterday playing down the changes as a "technicallty", will probably merely introduce legislation requiring employers to consult with employees, leaving the details of how to do so to employers themselves.

As a result of the decline in trade union membership and collective hargaining, the employers which do have union representatives to consult in transfers or redundancies – or in the similarly organised health and safety committees – are probahly now in a minority.

But that does not mean that other employers have no mechanism for consultation. Organisations such as the Confederation of British Industry and the Institute of Personnel Management have long recommended institutionalised consultation where unions do not exist. Many companies have staff associations or other systems such as team hriefings which could become the focus of consultation. The debate now will focus on the minimum that an employer can get away with.

Will a discussion procedure with employees suffice or will a committee have to be established, albeit one which could be dissolved as soon as the consultation has taken place? If such a committee is required will employees have to be independently elected or could the employer simply select them?

According to Mr Fraser Younson, of the Employment Lawyers Association, the requirement in European law to "consult with a view to reaching agreement" means that it will not be sufficient to inform employees individually and give them an opportunity to respond. If a committee mechanism is established for consultation then it may well take on a life of its own.

At the other end of the spectrum, Ms Cherry Mill, of the IPM, speculated that it might be sufficient for line managers to give small groups of workers the news through team hriefing-type systems or even through electronic mail.

"You have got to back and look at the intention of the directives. They were not designed to estahlish new industrial relations systems but rather to prepare workers for forthcoming events and give them an opportunity to have a say, something that is the practice already in most good companies", says Ms Mill.

If the amendments to the directives do turn out to have a lasting impact on consultation systems it will not necessarily be to the benefit of British unions. It could, rather, help to nudge the UK closer towards the European model based, in most countries, on statutory *employee* rights, not union rights. That will be little compensation to those employers that see such changes as introducing unnecessary bureaucracy.

P&O withdraws Chinese workers

By Richard Donkin

P&O European Ferries bowed to pressure from French seamen's unions yesterday and agreed to withdraw 58 Chinese cleaners on its two most recently chartered ferries.

The French unions had disrupted dockings at Cherbourg last week and spread the action yesterday to Calais even though P&O had already announced it would be dispensing with the Chinese workers.

French workers blocking the departure of a P&O ferry from Calais clogged up sailings for several hours yesterday afternoon, leading to pressure from the British government asking the French government to intervene.

The dispute arose when the French seamen complained that employment of the Chinese could drive down pay rates for other nationals.

P&O suggested yesterday that the action had been a smokescreen for wider fears about French ferry jobs, particularly with the introduction of Channel tunnel services.

The company said it was reluctantly ending the employment of the Chinese on the two ships which were previously run by the German Olau line. It said: "Chinese have served on these two ships for the past four years while they were operating between the UK and the Netherlands under a German flag."

The company said it was examining legal implications.

Meanwhile, the UK Road Haulage Association warned yesterday that Eurotunnel risks a crisis of confidence among customers if it has further problems with its freight shuttle service.

Mr Sydney Balgarnie, the association's spokesman, said: "People do not want to get stranded in the tunnel. People want reliability, and if they don't get it they will use the ferries instead."

He was reacting to the second incident in eleven days involving the temporary suspension of a train service because of technical problems. Eurotunnel said the two incidents were unrelated though both involved warning lights signalling non-existent faults.

Bankers of the world unite at Buck House

The Queen held an audience with a group this week who between them control assets worth several trillion dollars, writes John Gapper

"Nice one, knight," said the chief executive of an American bank to Sir Dennis Weatherstone, British chairman of the US bank J.P. Morgan.

Sir Dennis was walking down the aisle of a coach full of bankers as it prepared to leave Buckingham Palace, where its occupants had met the Queen.

In his speech at the dinner that followed, under the Rubens ceiling of the Banqueting House in Whitehall, Sir Dennis said the assembled heads of the largest banks in the world were "walking on air" having been greeted by the Queen and the Duke of Edinburgh at a reception on Tuesday night.

Few passers-by would have realised that the 300 occupants of five coaches which had swept down the Mall from the palace carried such an influential load.

The annual meeting of the International Monetary Conference was on another leg of a discreet journey round the world's financial centres.

Last year Stockholm, this year London, next year Seattle. The heads of 103 of the world's largest banks are accustomed to being treated well on their annual meetings, opportunities to discuss their industry and hobnob in private discussions and dinners.

As they control several trillion dollars in assets between them they are used to being treated royally. In Madrid in 1989, they were given a reception by the King and Queen of Spain. The Buckingham Palace reception was generally held to have topped that.

The IMC is not just a meeting for bankers, but for bankers' spouses, as they are politely termed. In practice this means wives, since the bank chiefs are all male.

The itinerary for spouses is more complex – and in some ways more demanding – than the bankers'.

While the bankers sat in a hotel discussing financial derivatives and banking regulation, wives went on a whirlwind tour of British history and social life.

This included Blenheim Palace and exhibitions of painting and embroidery. The social whirl ended last night in a reception and concert to celebrate the Bank of England's tercentenary – the reason for the IMC being held in London for the first time since 1979.

Despite its growing international membership, the IMC has an American overtone from its roots as an organisation formed in the early 1950s by American bankers to educate bankers about international finance.

The IMC has remained a favourite meeting for senior bankers because of its size. It is easy for heads of banks to find each other in corridors and at lunches, compared with the vast annual meetings of the International Monetary Fund and World Bank.

It is organised by officials of the American Bankers' Association and banks from the host country. The London event was led by Sir Dennis, IMC president, and Lord Alexander, National Westminster Bank's chairman, who was widely credited with securing the palace invitation.

The last session was chaired by Mr Richard Thomas, chairman and chief executive of First National Bank of Chicago.

Like others, Mr Thomas was in a cheerful mood yesterday, despite fears over the future of banking expressed during the week.

After dinner on Tuesday, the bankers heard a song composed for the occasion, delivered by a choral group.

"Glory be to the Deutschemark, and to the Yen, but mostly to the holy pound. As it was in the beginning, before all this talk of a single European currency, is now and ever shall be, Amen," sang the group. The German and French bankers laughed gamely at this beautifully harmonised propaganda.

Roll on, Seattle.

Dublin 'clarifies' Ulster declaration

By Tim Coone in Dublin

The Irish government has confirmed it has recently been in communication with Loyalist paramilitary groups to provide clarification on the Downing Street declaration aimed at bringing peace to Northern Ireland.

The move follows the British government's clarifications to the declaration given to Sinn Féin, the political wing of the IRA, last month.

Mr Albert Reynolds, the Irish prime minister, said yesterday that Loyalist paramilitary groups had this week "sought clarification from me which is a very welcome development." He was willing to extend such clarification "as I have extended to others" but emphasised that he would not enter into negotiations on the declaration.

He stressed that the declaration "addresses [the] fears, concerns and suspicions regarding the future of both communities" and said he expects decisions from both paramilitary gronpings "in about a month."

He said he hoped their response will be a "full cessation of violence".

Sinn Féin has indicated it will respond definitively to the declaration and the British clarifications towards the end of June.

Britain in brief

Court deems Lloyds' C&G bid illegal

A large obstacle was last night placed in the way of banks taking over building societies when Britain's High Court ruled that the structure of Lloyds Bank's £1.8bn cash bid for Cheltenham & Gloucester Building Society was illegal.

Mr Andrew Longhurst, C&G's chief executive, said that the society intended either to appeal against the judgement, or try to find a way of re-structuring the offer to its members in a way that would bring it within the law.

Sir Donald Nicholls, the vice-chancellor, ruled that Lloyds could not pay C&G investors who had been shareholders for less than two years. This would make it extremely hard for C&G to gain meet voting requirements for approval of the deal.

Mr Philip Lawson, Lloyds' chief legal adviser, described the judgment as "a hurdle to be overcome". Lloyds said that its bid still stood, and C&G was free to restructure the way in which it divided the cash between its members.

The judgement affirms the section of the 1986 Building Societies Act which was intended to stop "speculative flows" of deposits between societies if a rumour spread that a society was about to receive a bid from a third party.

Mr Longhurst said that the society's advisers would examine the ruling to see "if we can modify the offer in some way to bring it within the terms of the judgement". He said that the benefits of the offer remained clear despite the ruling.

Because of the significance of the issues for all banks and societies, it is widely expected that the matter might have to go to the House of Lords.

Arab group pays Westland

The Arab Organisation for Industrialisation has paid a further £115m to Westland Helicopters, taking the long legal tussle between the helicopter maker and several Arab governments another step forward.

A year ago the Geneva based Arbitral Tribunal, which exists to sort out international disputes, put the damages owed to Westland at £385m. A first payment of £25m was made in February.

The case arose following the collapse of an Egyptian-based helicopter manufacturing project in 1979. The AOI was set up in 1975 by Saudi Arabia, Qatar, UAE and Egypt to make Lynx helicopters under licence.

The AOI's final appeals against the damages were rejected by the Swiss Supreme Court last month. However, GKN, which acquired Westland in April, said yesterday that litigation continued to surround the matter and "the ultimate financial outcome cannot be predicted with certainty".

Lib Dem defects on eve of poll

Liberal Democrats were last night rocked by an eve-of-polling day bombshell when their candidate in today's Newham North East by-election announced he was defecting to Labour.

The decision by Mr Alec Kellaway, a 41-year-old Newham councillor, provided an extraordinary finale to 16 days of frenetic campaigning in the run-up to today's European elections and five parliamentary by-elections.

The move provided an unexpected windfall for the increasingly buoyant Tories.

Mr Simon Hughes, the Liberal Democrat MP for Southwark and Bermondsey, said his party was "puzzled and saddened" by Mr Kellaway's "bizarre and unexpected behaviour."

He was sorry people in Newham North East would no longer be able to vote for a Liberal Democrat candidate.

Newham North-East, a safe Labour seat, is the former constituency of Mr Reg Prentice, the ex-minister who resigned from the Labour party and joined the Conservatives nearly 20 years ago.

Drop in union membership

Trade union membership in Britain has reached its lowest level since 1946 with only 31 per cent of employed workers as members, according to the latest statistics published yesterday by the Department of Employment.

In 1992 there was a 5.6 per cent decline to 9m from 9.5m in 1991. Since 1979 when the Conservatives came into government the number of workers in unions has dropped by 4.2m. It is estimated 35 per cent of all workers were unionised by the autumn of last year.

While 36 per cent of manual employees are in trade unions, 34 per cent of those employed in non-manual work are also unionised. Thirty eight per cent of men are in unions and 31 per cent of women.

Sixty three per cent of public sector workers are union members but only 23 per cent in the private sector.

Property 'levelling out'

The UK commercial property investment market has levelled out, following its steep rise over the past year, according to new figures.

The total return from the property investment market in May was 29 per cent, slightly down on the April figure of 29.3 per cent, according to the monthly index published by Richard Ellis, chartered surveyors.

The decline in the bond market has taken its toll on the property market, with the result that capital growth is no longer being driven by declining investment yields (the ratio of income to capital). Rental growth, which would also provide a boost to values, has not yet appeared. Indeed, rents fell in the month of May, after appearing to have stabilised in previous months.

More companies being formed

More than 10,000 British companies were formed in May, according to figures compiled by Jordans, the Bristol-based information company.

May's total of 10,442 was 18.7 per cent higher than in May 1993, the fastest annual growth rate since Jordans started preparing statistics in this form two and a half years ago.

A total of 53,027 companies have been formed in the first five months of 1994, an 8.1 per cent increase on the same period of 1993. If that rate of increase is sustained for the rest of the year, there will be about 123,000 companies formed in 1994, back to the level achieved in 1990, but still below the 130,000 formed in 1989.

Rail sell-off plans slow

The government's rail privatisation plans have run into further delay after the decision by the managing director of one of the three rolling stock leasing companies to step down.

Mr Tony Roche, whose appointment as managing director of the Eversholt Train Leasing Company was announced on April 31, has left after just over a month to take up a more senior position with British Rail, BR said yesterday.

When he was appointed Mr Roche, a railman with 30 years' experience, was described as having played a key role in the creation of the rolling stock companies that have been set up to lease locomotives, carriages and wagons to the train-operating companies.

British Rail said it had still to find a replacement for Mr Roche.

The government has created three rolling stock companies – two based in London and one based in Sheffield – and has allocated to each a mixture of BR rolling stock.

The leasing industry expects the government to put the rolling stock companies up for sale next year, though this imposes a very tight timetable on the programme.

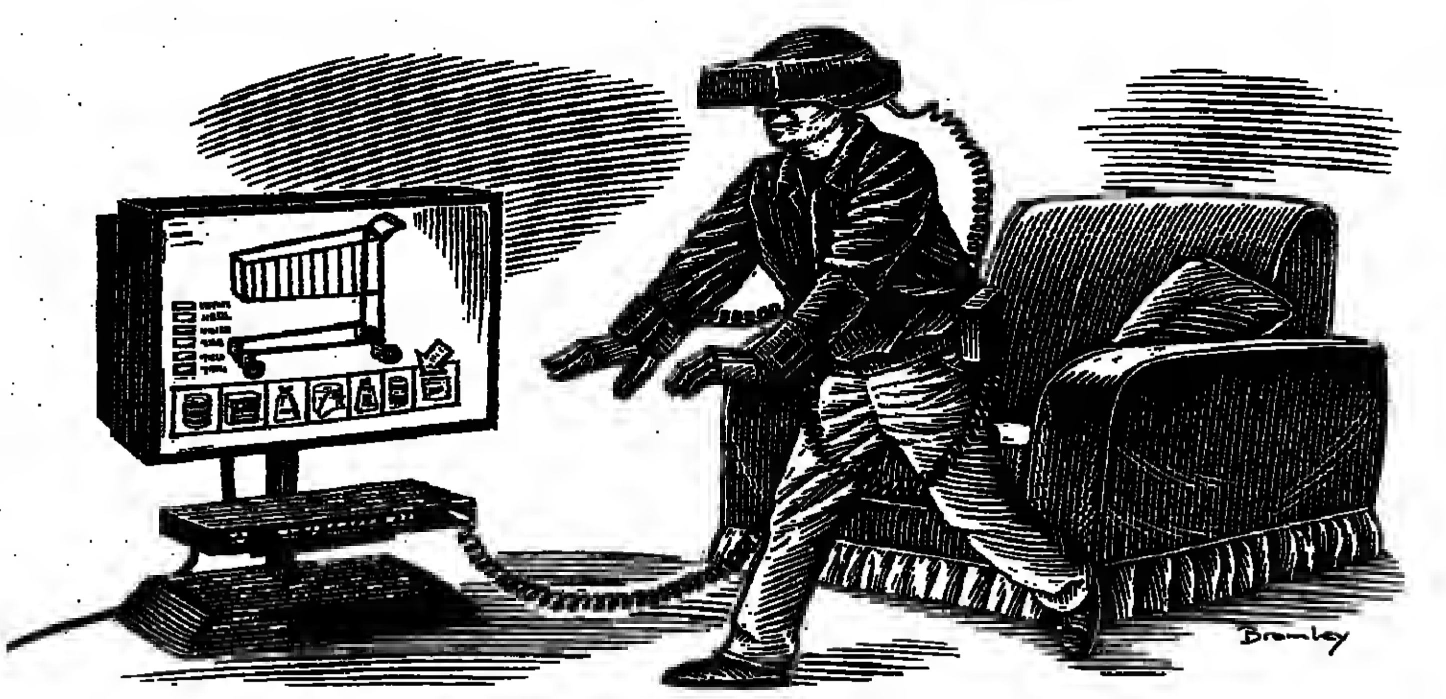
Pizza Hut to expand

Pizza Hut, the restaurant and fast food chain, yesterday said it intended to open more than 40 new restaurants and 60 delivery units throughout the UK over the next two years – a 20 per cent increase – creating up to 2,000 jobs.

It is seeking town-centre sites, free standing units in out-of-town retail parks and delivery units in high-street, secondary and suburban locations.

The number of pizza restaurants in the UK is rising by about 12 per cent a year with delivery outlets – the fastest growing sector – increasing by about 30 per cent a year.

TECHNOLOGY



Shop-till-you-drop at the touch of a button

Electronic retailing is set to revolutionise buying. Richard Tomkins begins a new series with a glimpse into the future of the interactive era

Damn, Michael thinks, thumping tha vehicle'a control panel. It ia a sunny Sunday morning and he is driving out of town to visit his parents. But suddenly, it occurs to him: it is Father'a Day and he has forgotten to buy a present. What to do?

Stopping the car, he reaches forward, flicks e switch and watches e screen light up. "Computer," he says, "it is Father's Day. Suggest a present for my father."

"A tie," a disembodied voice replies.

"Oh, most original. Why?"

"He bought e suit on May 20."

"Yes, and ha bought a tie to match it."

"Incorrect. He bought two."

Michael thumps the control panel. "Well, then, what in heaven's name is the point of buying him another?"

"He liked three."

"All right," Michael sighs. "Show the tie he wanted, but didn't buy." Pause. "Show it worn by my father, with the suit."

The tie is expensive: the computer's records aay this is why his father didn't buy it. But it looks good with the suit . . . very good. It should do the trick.

"Show locations in this area where I can pick up this tie now." The names and addresses of three outlets appear, the last of them only a short way off Michael's planned route.

"Order this selection. Gift wrap for Father's Day. I'll collect at pick-up point three in 30 minutes. Charge to Visa. Oh, and computer?"

"Yes?"

"Shut up."

This is shopping in the 21st century: when the trudge round the stores has been replaced by the speed and convenience of computer-aided selection in the home, car or office. Retailing in the traditional sense will long aince hava given way to fibre optic cables and multimedia technology.

Or will it? Shops may have changed over the years, but their fundamental role as places where people go to choose and buy goods is almost as old as civilisation itself. Are they really to be made redundant by electronic retailing?

Right now, it may not seem so. True, home shopping is already a reality in the US, but it is a primitive affair. Programmes offered by the two main home shopping channels, Home Shopping Network and QVC, simply parade goods in front of viewers in the hope that something might take their fancy, and take credit card orders by telephone. They account for less than 0.2 per cent of US retail sales.

But this may be about to change. With US telephone and cable television companies investing billions of dollars to provide Americans with two-way data communication, consumers will no longer be the passive recipients of sales pitches for goods that do not interest them. Soon, they will be able to tell their television sets to show them things they want to buy, and order them at the touch of a button.

In the early days of this interactive era, a typical home shopping channel will probably allow consumers to enter an electronic shopping mall featuring a number of stores selling different kinds of merchandise. Viewers will select tha store they want to enter; choose the department that interests them; go to the items they want to view; then, after calling up any product information they require, press a button to transmit an order.

Very soon, the system will move on to a more sophisticated level by building up personal profiles of users through their buying habits. For example, it will quickly learn viewers' measurements, so enabling it to order clothing in the correct size.

It will also pick up their favourite colours and their tastes in fashion, music, or food, so that it can offer increasingly tempting products while learning not to waste their time with unwanted goods. It will have a pretty accurate idea of what they can afford, too.

Beyond this, it does not require a great leap of imagination to see the day when virtual reality enters the world of electronic retailing. At a simple level, consumers will be able to try on clothes at home by watching computer-generated images of themselves (or indeed, someona else) wearing them. Later, instead of watching a television screen, people will probably be able to don a virtual reality helmet and gloves, then transport themselves into the stores of their choice. They will roam the virtual aisles, examining virtual goods and quizzing virtual sales assistants for more information if required.

But what of traditional shops? Will e place remain for them in this interactive era?

The answer is almost certainly yes, for at least three reasons. One is that there are many goods that people will still prefer to touch and feel, or try on for size, before purchasing. Another is that, until science devises a method of transporting matter instantly through space, electronic shoppers will still have to suffer tha frustration of waiting for their goods to be delivered. And a third is that, in a world where so many work and leisure activities are conducted through a television screen, people may simply go crazy if they are left without an excuse for getting out of their homes.

Equally, however, it seems certain that shops will change. Tha accountancy firm Coopars & Lybrand, which recently conducted a $1m (£600,000) survey of the outlook for retailing in the 21st century, predicts that stores will respond to the threat from home shopping by combining retailing with entertainment.

If, as seems likely, this proposition is correct, the US already offers a glimpse of the future in the form of Mall of America, a vast complex on the ontskirts of Minneapolis combining 400 stores with a seven-acre theme park. But on a smaller scale, food stores might offer cookery lessons, record stores might offer live music, or clothing stores might offer fashion shows.

This, of course, will take up space. But according to Jacquelyn Bivvins, marketing manager of Coopers & Lybrand's retail programme in New York, this is something retailers will have in abundance. As with electronic shopping, detailed analysis of customers' buying habits will allow retailers to build up much more accurate pictures of who their customers are and what they want. The result will be a big reduction in inventory on the sales floor.

Another apace-saver could be manufacturing at the point of sale. Customers at branches of Blockbuster Entertainment, the US video store group, are already selecting compact discs or video games and having them made while they wait. Bivvins sees no reason why shirts, to take e random example, or e myriad other goods, should not eventually be custom-made to order on the spot.

Technology will bring other changes, too. Those who today complain that they can never find a sales assistant when they want one will probably never see one at all in the next century: instead, they will turn to an on-screen electronic assistant for advice. Men might pick a suit and ask the screen to show them images of all the shirts in the store that go with it. Women might go to the hairdresser and ask the screen to show them what they would look like with different hairstyles.

Arguably, the form of retailing that could change the most is the supermarket – not least because it is the format most likely to suffer from the home shopping revolution. The mind-numbing task of replenishing the larder with basic foodstuffs is perhaps the one that lends itself most easily to substitution by technology. In the interactive age, it will be a simple matter for householders to order goods electronically for home delivery, and have the same order repeated automatically every week unless amended or cancelled.

Supermarkets, however, will undoubtedly use technology to fight back. For exampla, customers will no longer be required to load up trolleys with goods. Instead, stores will display just one example of each product, and customers will walk around the store with an electronic wand, waving it across a bar-code on the shelf to order and pay for each item. The order will be put together by automatic shelf pickers behind the scenes, and the customer will either pick it up at the exit or have it delivered.

Things may turn out rather differently. Carol Farmer, whose Florida-based company Carol Farmer Associates forecasts consumer trends, thinks people could become so exhausted by the bombardment of visual information coming to them through their screens that they could begin to view conventional shopping as an escape.

Consumers may welcome the prospect of wandering around a quiet, relaxed, screen-free store with real humans on hand to help and advise, she says. "The atmosphere will be deliberately calming, the environment will be very soothing, because everybody will be visually brain-dead from all this virtual shopping that they can do if they want to. This sort of shopping will be the antithesis of it."

It also makes sense to be cautious when it comes to some of the wilder prognostications about the interactive future. As Farmer puts it: "I think the trend towards this kind of technology is unstoppable, but it really does depend on the makers' ability to make it user-friendly, and they haven't been very good at that in the past.

"I mean, it's still very hard to program a VCR, and VCRs have been around for years."

Plastics get tough

Construction costs could be reduced by hundreds of millions of pounds through the use of a new generation of plastic-based composite materials which are as strong as steel and concrete but much lighter and easier to handle.

A group of UK companies, led by engineering consultants Mouchel, are combining to study the practicality of using polymers reinforced with carbon and glass fibre to strengthen bridges.

They claim it would be possible to save £130m by using carbon fibre polymers instead of steel to strengthen 1,000 ont of the estimated 10,800 British bridges thet will require reinforcing to meet European Union 40-tonne weight restrictions.

The three-year study, costing £1m, has attracted £425,000 of government finance under the Link Programme which supports collaborative research between industry and universities.

Mouchel is providing 60 per cent of the private-sector contribution with GEC, the big British engineering group, providing a further £100,000.

If the project develops a practical technology, it could promote export orders as well as rebuilding an important part of the country's infrastructure.

The companies, which will be working with Surrey and Oxford Brookes universities, will be seeking to build on work by Urs Meier of the Swiss Federal Laboratories for Materials Testing and Research who demonstrated in the mid-1980s that it was possible to double the strength of a 150mm concrete beam by adding a 0.3mm carbon fibre reinforced polymer strip.

A subsequent study by Brookes University showed that a 2.3-metre concrete span with a depth of 150mm could increase its carrying capacity by 230 per cent with addition of a 0.8mm reinforced polymer strip.

Andrew Taylor

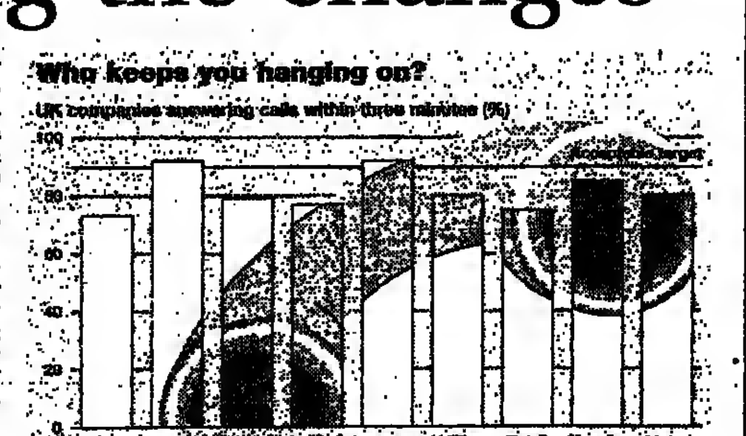
MANAGEMENT: MARKETING AND ADVERTISING

Businesses have not caught up with increased consumer confidence over telephone use, writes **Diane Summers**

Time for companies to ring the changes

The telephone, as a marketing tool, has come of age. This may seem strange, given that the 'phone has been around for about 100 years and looks like old technology next to interactive superhighways and all the other communications developments on the horizon.

But it is only now, according to a study* on 'phone potential for business in the UK by the Henley Centre forecasting group, that telephone technology "has finally reached critical mass in terms of consumer confidence, use and attitudes towards it".



The trouble is, reports Henley, that businesses have not caught up with this development in "teleculture": they continue to make customers hang on, subjecting them to unwanted music and then "ping-ponging" them between departments.

First Direct, Next and Direct Line are among the exceptions to have seen the potential for telephone-based businesses, says Henley. In the financial services sector alone, previous studies hava suggested that as many as 30m calls a year are abandoned by customers who get fed up with waiting or who are met with unhelpful staff. Melanie Howard, Henley's head of direct marketing studies, says: "The amount of business companies are throwing away must be enormous. We found, for example, that only 14 per cent of people would definitely call back if they couldn't get through when responding to an advertisement."

Overall, Henley reports that interviews with 500 senior managers across a range of sectors show "there is little evidence that despite spending an estimated £10bn per annum on telephone contact, in sales, marketing or customer service functions, and employing nearly 1m dedicated telephone staff, thet any more than e few companies are experiencing the real benefits reported by the more advanced users – increased customer loyalty, revenue maximisation and a competitive edge".

Evidence that the "teleculture" has finally arrived among consumers in the UK ('phone usage in the US is about four times greater) comes from group discussions and interviews with 1,000 consumers conducted in March for Henley. As would be expected, professionals and more affluent households are more likely to enjoy using the 'phone and employ it to buy goods and services. However, individual attitudes to the 'phone cut across socio-economic groupings and are more significant in predicting usage, found Henley.

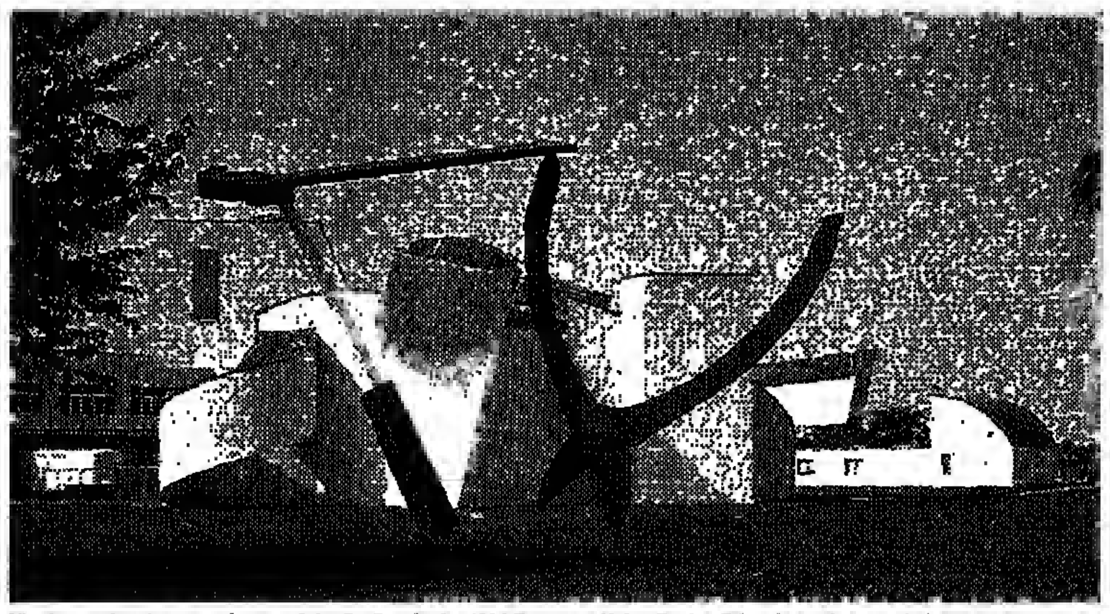
Four distinct groups were identified:

- Telephiles, who make up 47 per cent of consumers, are confident and frequent users of the 'phone to do business. They are relatively positive ebout being called by companies, as long as they can see something in it for themselves. They agree more than other groups that they would buy again from a company that keeps in toucb, that companies should check to find out if customers are satisfied and should ask consumers for their opinions of new products and services.
- Telephobes, 16 per cent of 'phone users, use the 'phone as little as possible and are more likely to be younger and more downmarket. Fewer of them work full time. They are particularly negative about receiving calls from companies.
- Functionals, 15 per cent of the market, do not positively enjoy the 'phone as much as telephiles but are confident and prepared to use it socially, at work and to obtain goods and services. Two-thirds of this group were men.
- Protectionists, 22 per cent of users, are, says Henley, "people who are generally positive about using the telephone but who do not want a two-way relationship with businesses". They see little value in companies keeping in touch with their customers or seeking their opinions, whether through the 'phone or not.

Businesses greatly overestimate the resistance among consumers to the telephone, says Henley, and there is even evidence that dislike of "cold calls" is receding. Nearly three-quarters of users say that getting an immediate answer on the 'phone is top of their list of priorities, yet most companies – even those with teams to deal with customer queries, and who are using advanced equipment or special telephone numbers – continue to put all calls through their general switchboards.

Overall, Henley finds that, while consumer demand for good telephone services is high, customers' expectations are low. "This suggests that businesses can relatively easily improve the service they provide over the 'phone, and to do so would have a very positive impact on consumers."

**Teleculture 2000. The Henley Centre, 9 Bridewell Place, London EC4V 6AY. Price £1,100*



Vitra's new headquarters is one of the finalists in the 1994 European Union Design Prize due to be awarded tomorrow

Vitra's vision in glass and stone

Alice Rawsthorn on why the office furniture group sees the architecture of its buildings as part of corporate culture

An anxious American hovers outside a bizarre, but beautiful building in an otherwise unexceptional suburb of Basle. He is an architect on business in Switzerland, he explains, has come specially to see the building and wants to look inside.

The object of his obsession was designed by Frank Gehry, the North American architect, for Vitra, the office furniture group which is one of the finalists in the 1994 European Union Design Prize due to be awarded tomorrow in Amsterdam. The building opened last month as Vitra's corporate headquarters and is the latest addition to the stunning collection of contemporary architecture it has built at its main manufacturing site in Weil-am-Rhein, just over tha border in Germany.

The American's fascination with the new headquarters building is as intense as the interest generated by the Weil complex, which attracts 40,000 visitors each year: many of whom are architects or students who might eventually buy Vitra's products.

The complex contains the work of some of the world'a most influential architects. There are two factories by Britain's Nicholas Grimshaw, a conference centre by Tadao Ando of Japan and a Frank Gehry museum to house the company's 20th century chair collection. Even the fire station is an architectural gem – a spectacular composition of abstract concrete planes devised by Zaha Hadid, an Iraqi architect working in London.

Rolf Fehlbaum, chairman of Vitra, is a self-confessed architecture buff yet says the Weil site is not a self-indulgent exercise but an integral part of Vitra's strategy of establishing itself as a leader in the office furniture market. "This isn't a folly or a fantasy," he says. "It's part of the company's culture. It's a financially feasible project which sends out a clear message to our customers about what the company stands for."

Vitra's building binge began in 1981 when part of the original Weil site was destroyed by fire. The company, founded in 1934 hy Fehlbaum's father, was then the European manufacturer for Hermann Miller, the US furniture group. It bad already commissioned a few office chairs from contemporary designers and in the early 1980s was preparing to end the egreement with Miller to concentrate on developing its own designs.

The new Vitra needed to carve out an independent idantity. The Fehlbaums, impressed by Miller's long liaison with influential designers such as Charles and Ray Eames, were determined to place Vitra at the forefront of technical and aesthetic innovation and needed to convince contemporary designers of the same calibre as the Eameses to work with them.

The reconstruction of the Weil site became a central element in that strategy. Rolf Fehlbaum deliberately commissioned a special set of buildings. The Vitra complex includes the first European buildings of Frank Gehry and Tadao Ando. It also houses the first permanent buildings by Zaha Hadid and Nicholas Grimshaw. Fehlbaum says the total cost of the factories (including architect's fees) was roughly the same as standard buildings of that type: but admits the Hadid fire station and Ando conference centre were more expensive at DM2.6m (£1.04m) and DM2.5m respectively.

Vitra has already recouped some of its investment. The museum, which cost DM2.5m to build in 1989, now earns two thirds of its running costs. Vitra also attracts e steady stream of publicity in the architectural press from the opening of new buildings or museum events.

"It's impossible to assess the impact of our cultural project, although we know it has made e difference," says Fehlbaum. He is convinced that it has played a critical part in enabling Vitra to quadruple its turnover since the break with Hermann Miller to SwFr210m last year from SFr56m (£26m) in 1984.

"The project has smoothed the way by helping us establish our name," he adds. "Our customers know exactly where we stand and how to relate to us. Other companies spend lots of money on advertising. We think this is a more effective way of communicating our message."

In this respect Vitra's iconoclastic architecture plays a similar role to the conventional arts sponsorship schemes aimed at developing brands. Cartier, the French jeweller, has pursued the same aims as Vitra by becoming an active sponsor of contemporary art, culminating in this spring'e opening of Fondation Cartier, e Paris arts centre designed hy Jean Nouvel, the futuristic French architect.

Whereas Cartier tends to treat its arts schemes as an image-building initiative, Vitra has gone further hy fusing its cultural activities with its day-to-day operations. The élan of its architecture has helped it to attract sought-after furniture designers such as Philippe Starck, Jasper Morrison and Ettore Sottsass. "If Rolf Fehlbaum wants a new factory or a fire station he goes to the best people in the world," says Starck. "Everything abont Vitra is done to the highest possible standard. That's wby I work for it."

Fehlbaum also beliaves that the company's product development skills have been enhanced by the experience of collaborating with different architects. "Designing an office chair is a complex process of trial and error that requires a great deal of fine-tuning," he says. "It's good for us to work with different people."

Similarly Vitra has benefited from the museum, which has not only encouraged employees to learn more about their industry's history but bas ected as a catalyst for long-term research. Vitra last year asked Sottsass and two other Italian designers, Andrea Branzi and Michele de Lucchi, to analyse how technology would affect the offices of the future for a Citizen Office exhibition.

"Vitra is a company with vision," says Starck. "It's never satisfied with the present and is always looking to the future."

PEOPLE

Bob Fisher promoted at TI

Bob Fisher, 55, chief executive of John Crane, one of TI's three core businesses, has been appointed managing director, operations, of the TI Group.

Fisher's new job as TI's effective chief operating officer is part of a board reshuffle which still leaves unclear who is the front-runner to take over as chief executive when chairman Sir Christopher Lewinton, 62, eventually splits his role.

The chief executives of Crane and Bundy, two of TI's three main businesses, will now report to Fisher, who will be based at TI's London office. He has been given the task of "leveraging the resources" of the group across all its core businesses and will also be responsible for developing TI's regional strategy for Asia Pacific.

One city analyst suggested that Fisher's appointment indicated that he was the chief executive designate. However, other analysts disagreed, noting that Tony Edwards, 49, chief executive of TI's recently acquired Dowty aerospace business, will continue to report to the chairman. Meanwhile, Brian Walsh, 50, GKN's former finance director who joined TI just over a year ago, has been promoted to the new post of vice chairman. Walsh adds responsibility for the operations of the group's headquarters to his finance director's role.

Bundy chief executive John Potter, 51, takes over from Fisher as chief executive of Crane and will move to Crane's Chicago headquarters. Bill Laule, 45, president of Bundy North America, is moving to the UK to take over as chief executive of Bundy.

James Roe, 49, director of strategic development for six years, also joins the TI board. He adds global responsibility for human resources and communicatioos to his current job.

Insurance moves

■ John Swinglehurst, formerly chairman of Sedgwick's marine and energy operations, has been appointed deputy chairman and BAIN CLARKSON's marine and energy divisions.

■ John Winter, formerly ceo of Trinity Insurance, has been appointed md run-off services of MERRETT Underwriting Agency Management.

■ Roberto Gavazzi, a member of the board of management of Allianz, has been appointed to the board of its subsidiary CORNHILL INSURANCE.

■ Colin Donadio has been appointed md of SBJ International, and Tony Scott and Geoffrey Verey directors of SBJ Marine Reinsurance Brokers.

■ Tim Breedon has been promoted to the board of LEGAL & GENERAL Investment Management as director (quantitative funds).

■ Peter Snow, md and joint coo of ALEXANDER HOWDEN's marine and energy division, has been appointed to the main board.

■ Roger Cottell has been appointed md of The Ajax Insurance Association, part of NORWICH UNION.

■ Christopher Mathew, formerly a director with Standard Bank Financial Services in South Africa, has been appointed international sales director of CML part of CLERICAL MEDICAL Investment Group.

■ Keith Gibbs, formerly marketing director at Citibank, has been appointed marketing director of LLOYDS BANK Insurance Services.

■ Anthony Swinglehurst has been appointed md marine, and Andrew Sturdy, Robert Terry, Tim Page and Patty Munt directors of ALEXANDER HOWDEN Reinsurance Brokers. Mark Heath, Poni Arumugam, Rona Hogan, Tim Rumsey, Les Vaughan, Mark Wood and Jon Regan have been appointed directors of Alexander Howden Ltd.

■ Michael Painter, chairman and chief executive of the international and risk management division of Bowring Marsh & McLennan, is being seconded to the DTI to "assist government to gain a fuller understanding of the [insurance] industry's needs".

■ Jeff Painter has been appointed general manager (quality and continuous improvement) at SUN LIFE. He is succeeded as md of Sun Life Direct Marketing by Des Moore (below).

Bernard Bradford (above right) is to become the first full-time general secretary of Insol, the London-based organisation for insolvency professionals around the world.

Bradford, who is currently head of corporate recovery at National Westminster Bank, will take up the post in March next year in place of Gerry Weiss.

Bradford retires from NatWest this month after a decade of working on large-scale international insolvencies including the Maxwell affair, Daf and Lancer Boss.

Insol, which was formed 12 years ago, has more than 5,000 accountants, lawyers, bankers and other members in 34 countries.

Roger Lawson (above left) took over yesterday as president of the Institute of Chartered Accountants in England and Wales. He was the first president to be elected in a contested vote under new rules introduced three years ago.

Lawson, 48, who is a director of 3i, will serve for a year in office.

The new deputy president is Keith Woodley, 53, a practitioner based in Bath. Brian Currie, a retired partner from Arthur Andersen, becomes vice president.

Bodies politic

John Spiers, chairman of Brighton Health Care NHS trust, has been appointed to the prime minister's Citizen's Charter Advisory Panel. Since 1970 he has founded and developed a number of publishing firms, one of which received the Queen's Award for Export Achievement in 1986.

He replaces Sir Christopher Bland, former chairman of London Weekend Television, a member of the advisory panel since it was created three years ago.

Lady Wilcox, the businesswoman who chairs the National Consumer Council, has been reappointed for two more years to the panel, which advises the government on the citizen's charter. Madsen Pirie, president of the Adam Smith Institute, has been reappointed for a further year. Christopher Swan, head of marketplace performance at British Airways, has also been reappointed, though only until the end of July.

The panel is chaired by Sir James Blyth, chief executive and deputy chairman of Boots. Other members are Angela Heylin, chief executive of Charles Barker, Baroness Perry, president-elect of Lucy Cavendish College, Cambridge, and Nick Rawlings, director of PA Consulting Services. (See Observer)

■ The Accounting Standards Board yesterday announced the names of three new members and said it would be adding an extra person to bring the total up to ten.

Huw Jones, a director of Prudential Portfolio Managers, Ken Wild, a partner with accountants Touche Ross, and Geoffrey Whittington, professor of accounting at Cambridge University, will join the board from August.

In addition, the board is seeking an additional member from a multinational company, in a move that will tip the balance more towards preparers of accounts.

■ David Hardisty, md of Close Asset Finance, has been appointed chairman of the FINANCE & LEASING ASSOCIATION.

■ Walter Hogbin, chairman of Taylor Woodrow International, has been appointed president of the EUROPEAN INTERNATIONAL CONTRACTORS FEDERATION.

Cinema/Nigel Andrews

Controlled spleen

THREE COLOURS WHITE (15)
Krzysztof Kieslowski

SERIAL MOM (18)
John Waters

THE CROW (18)
Alex Proyas

LONDON (U)
Patrick Keiller

IN CUSTODY (U)
Ismael Merchant

Watching Krzysztof Kieslowski's *Three Colours White*, I kept thinking of the title of that book by Ayn Rand: *Atlas Shrugged*. For years this Polish film-maker has born the hopes of European cinema on his lone shoulders, each film more of a grand tragicomic shrug than the last. He now tells us – biggest shrug of all – that he is retiring from movie-making altogether. Is European film prepared for free fall?

Perhaps the signs are already here in *White*. Like *Blue* before it and *Red* to come, the film is a strip torn from the French tricouleur flag. This time the theme embroidered is *"égalité"*.

The dumpy hairdresser from Warsaw, Karol (Zbiegniew Zamachowski), so loves the French girl he married six months before that he keeps flashbacking to that nrgasmic flutter of wedding veil and white dress in a Paris church. Alas! That was the couple's only consummation to date. Unmanned by that well-known disease "emigrant stress" – the inability to function in another country – Karol sits by, impotent in all senses, as pretty, spiteful Dominique (Julie Delpy) first obtains a divorce and then burns down their hairdressing shop.

Kieslowski and regular co-writer Krzysztof Piesiewicz shape what follows as a kind of berserk little-man-makes-good tale. Karol returns to Poland to rebuild his life and fortune – in shady real estate deals – after first faking death and assuming a new identity. Once rehabilitated, can he lure Dominique back to his arms?

My own arms were tugged near to dislocation by opposing demons. The nice demon said: This is a sour, clever, funny satire on the new capitalist spirit in Eastern Europe, a place where everything can be bought, from fake passports to dead bodies. The nasty demon, pulling my other arm, said: This film is intellectually and dramatically slight, at least by the high standards Mr K himself has set.

I must agree with both demons. *White* is a master-class in controlled spleen and social-psychological irony compared with most modern European films. But Kieslowski has set our hopes of *him* too high. The trilogy's first film *Blue* had a passion of sound, texture and image that bordered on the miraculous. Surrounded by an Expressionist force field, the film's protagonist (Juliette Binoche, who makes a fleeting guest appearance in *White*) seemed gripped by anxieties we all recognised even when her beautifully gnomic face seemed to say nothing.

White changes mood, changes structure – more linear-anecdotal – and most crucially changes cameraman. Edward Klosinski is not a colour-filter freak like Slawomir Idziak (*Blue, Red, The Double Life Of Veronique*). The near-monochrome wash of his images suits the sly, downbeat comedy of *White*. But that downbeat comedy, shorn of stylistic flourishes, does not suit a feature film. *White* would have made a good short story in the *Decalogue* series. Even its ending, where "equality" between the sexes is delivered with a clinching sour-sweet irony, seems more suited to the punchline technique of short story closures than to the sense of echoing questions with which a feature film – above all, a Kieslowski feature film – should leave us.

★

Serial Mom is the latest American movie about the corruption lying beneath the smiling face of suburbia. How the nation's film-makers are obsessed with this! If you laid *Mom*'s writer-director John Waters (*Mondo Trasho*, Female *Troubles*, *Hairspray*) end to end with David Lynch, Penelnpe Spheeria, Joe Dante and the rest of the 'burb-bashers, you could walk over them all the way from Baltimore, *Mom's* setting and Waters' home town, to that greatest of all jumped-up suburbs, Hollywood.

Kathleen Turner flexes a mean pair of dimples as Beverly Sutphen, bousewife-superkiller. She runs nver a teacher. She skewers her daughter's jilting boyfriend (look away when his palpitating liver emerges on the end of her weapon). And raiding the fridge, she brings a lamb to the slaughter of a woman neighbour who refuses to rewind her videos.

But the main murder victim is the film, done in by its own vacillations between dainty spoofery and bad-taste excess. The killing sprees belong to a different movie from the Ideal Home satire ruling elsewhere. In this heroine's house the furniture, wallpaper and dialogue are all in matching tones and the reactionary family-valnes pieties are also wittily in place. Best of all is the yet-unsuspected Beverly's show of chagrin over *Our Lord's refusal* to commit himself about capital punishment, even on the cross. "If *ever* there was a time to go on record about the death penalty..."

'Egalité' embroidered: Julie Delpy in 'Three Colours White', the second part of Kieslowski's trilogy on the French flag

Say what you like abont *The Crow*, it has a consistent style: MTV Gothic. Pour in that chiaroscuro; jump around with that camera; growl out that music, not so much heavy metal, more scrapyard noises from hell.

But an irony sits, like the title bird, at the centre of this tale of a rock star back from the grave to avenge his own murder. On screen Brandon Lee's chalk-faced hero *spends scene after scene bouncing* back after being hit by real bullets. Off screen the star, son of the also prematurely-departed Bruce, died from what should have been a fake bullet; but the gun had a fragment of metal still todged in its barrel. Lee was rusbed to hospital; and soon after that, be was being rushed into hoped-for legend.

The film will make no one immortal. Set in a nameless inner city on Halloween night, it looks like *Delicatessen* crossed with *The Munsters*. Events veer between the banal and the incomprehensible. And with Lee'a role padded out with stunt double *shots and hide-and-seek* shadnw play, Michael Wincott's gravel-voiced smoothie of a villain walks into the clear patches of light and steals the film.

I wish someone had stolen Patrick Keiller's *London*. This feature-length essay on the city is diffidently tweaked towards fiction by a narrator's overvoice. While the static images click past like a lantern slide lecture – the famnus buildings, rotting factories, glinting riverways – Paul Scofield's nameless "I" describes a series of exploratory walks taken with gay friend and omniscient London expert "*Robinson*."

The script has an appealing stock of comic ironies and biterary allusions: Rimbaud, Baudelaire, Defoe. But they are regularly rolled over by the film's political agenda, caterpillar-treading through racism, Thatcherism, hnmelessness and all the other too familiarly crushable targets of Nineties enlightenment.

In Custody is better, hut only just. The directing debut nf producer Ismael Merchant, its tale of an ageing Urdu poet (Shashi Kapoor) dealing with life, age, wives and – worst of all – interviewers has some of the lapidary grace of confrere *James Ivory*. t only wish it had some pace too. Like so many post-Satyajit Ray indian films it suffers from that ruthless syndrome: sub-continental drift.

Alastair Muir

Torvill and Dean in 'Let's Face the Music and Dance'

Face the music and skate

Can Torvill and Dean go beyond the competition stakes? asks ***Alastair Macaulay***

When Torvill and Dean are competing, as everybody knows, their artistry transcends competition. When they are giving professional performances, however, you realise that competition is what they most need. For it is competition, ironically, that brings out their best artistry.

Some half-dozen of the duets they have created for competition are classics – potently expressive images of male-female partnership on a level rare in any art, and unique in their genre. And they themselves are a rare partnership. What a curious partnership, though – for they are only interesting when together. Astaire and Rogers, Fonteyn and Nureyev, Sibley and Dowell were all supreme soloists too, who could sustain major careers apart from each other. Not so Torvill and Dean – who, apart from each other even for a minute or two, are unremarkable either as personalities or as ice dancers. Their new world tour gives them very little solo exposure, but just enough – in a Beatles anthology, *Paperback Sixties* – to prove this.

And they are not an invariably thrilling partnership; the duet that finally brings them together at the climax of this Beatles collection is fairly blah. You cannot even say (as Katherine Hepburn said of Astaire and Rogers) that she gives him sex while he gives her class.

The Midas touch that sometimes turns these two pleasant but uninspiring individuals into a joint icon of the sublime is the tight specifications of competitive ice dancing: never more than a yard apart from each other; no flamboyantly high lifts; a steady supply of virtuosity amid a non-stop flowing legato journey around the ice... It is now more than 12 years since Torvill and Dean first took those challenging limitations and turned them into a transporting image of the inseparability of man and woman.

If there is just one thing that sets them apart from other ice partnerships, it is musicality. (Why is this so rare on ice?) As the climax of another big ensemble piece to music from Orff's *Carmina Burana*, they dance a duet, "In Trutina." Not on their best level throughout, but with some long and heartstopping phrases wedded to the flow and peaks of phrases in the music. At one peak, Dean holds her high, and her gesture into the air above exactly hits its climax with the music; and then, while the same phrase continues, Dean lowers her and holds her, immobile and horizontal, like a steel bar across his chest; and the phrase contains other marvels too.

The choreography is credited to Torvill, Dean, and Andris Toppe. Nineteen other skaters are involved, in solos, duets and larger ensembles. The mood keeps changing from comedy to virtuosity to lyricism: a *Strictly Skating* medley makes some OK jokes about the nsual tackiness of ballroom forms on ice in very *Strictly Ballroom* vein; and the evening's programme is a passable mix of showbiz and acrobatics. The naffest excess of ice dance are avoided; but its rare potential for poetry is only present in the T & D duets.

But there are too many jokes about competition marks, too many references to competition triumphs. Years ago, John Curry swept straight out of competition format to prove himself a major lyricist on ice, and built up a company of like-minded skaters. Can Torvill and Dean go beyond their competition successes? The pattern of their career – and the fact that all their best numbers have been made for competition – suggests not.

This programme begins with the *Bolero*, includes *History of Love* and a medley of *Barnum*, the *Paso Doble*, and *Mack and Mabel*, and ends with *Let's Face the Music and Dance*.

Musicality apart, Tnrvill and Dean are an outstanding choreographic example of male-female cooperation. Whether in the sweeping tragic glory of *Bolero* or the chugging robust vivacity of *Mack and Mabel*, you can see how often Torvill propels Dean as well as vice versa. Often they become intricately interdependent. In one phrase of *Bolero* she arches hack over his body, facing up to the ceiling, and yet it is her feet, lightly running on point, that are propelling them both. Breathtaking, no matter bow often you see it, and seriously moving.

At Wembley Arena until June 22

Dance/Clement Crisp

The Washington Ballet

Enter, blowing its own trumpet rather too loudly – "twenty-two beautifully trained dancers; one of the most exciting and imaginative repertories of any ballet company performing today" – the Washington Ballet. What I saw at its London debut on Tuesday night was a small ensemble, whose women have a decent academic style, trapped in ballets which leave no cliché unexplored and are an invitation to immediate flight from the theatre.

The evening began with a new work by Graham Lustig, the troupe's resident choreographer. *Hearts of Light* is set to Tippett's Corelli fantasy, music which I find claustrophobically busy, as if one were trapped in a small room with an over-vivacious companion. Lustig, always sensitive to his scores, has produced dances of a kind generally called "lyrical" – the girls wear drifting skirts – and bas sought to match every convolution of the music. The result is carefully crafted but relentlessly active, and nothing is belped by imprisoning the dance in a black surround. Six girls dash and drift. Three men are in attendance, lifting and being earnest, like well-mannered furniture removers. It lasts forever.

Things tbereafter rusbed into Gadarene decline. There was no point, because no illustrative vitality, in Christopher Doyle's *Ne me quitte pas*, where Doyle, in shirt and trousers, gloomed after Francoise Thouveny in a little black dress, while a tiresome song by Jacques Brel took its course. It was followed by *Quartet No.2* in which Nils Christe nailed some angst on to Shostakovich's second string quartet. This is music too serious to be maltreated as a guide to despair from Mittel-Europa. Christe is a follower of Jiri Kylian, and the piece is another of those "Bad news from the Old Country" exercises in which girls in dull dresses have hell with their men friends. At the end, the four members of the cast, having suffered all over the stage, stand in a blaze of light as if awaiting a firing-squad. The marksmen would do better to draw a bead on Christe.

Last, and by every means least, *In the Glow of the Night* by Choo San Goh. I have reported over the years on Choo's creations, which never struck me as being choreography. Like the ten dollar Patek Philippe watches you find in the Orient, tbey bear a slight resemblance to the real thing, but tbey don't work. Choo was for some years the creative force for the Washington Ballet – which explains a thing or two – and *In the Glow of the Night* is dreadful on all counts. Three movements from Martinu's first symphony, pink and blue leotards, pointless activity, are the ingredients. The lighting changes on an amorphous backdrop, but nothing changes in the trumpery steppings and emotings that occupy the cast: rodomontade and witless posturings are their lot. Wnrse, the dance makes its performers look inept: seven men slog through academic steps; the women seem prissy. It is no advertisement for the company's hopes or attainments.

Sadler's Wells until June 14

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Tonight, Sat: Michel Plasson conducts Orchestre du Capitole de Toulouse in works by Berlioz and Bizet. Sun: concert performance of Les Troyens, with cast including Hildegard Behrens, Isabelle Vernet and Chris Merritt. Next Wed: Athens State Orchestra plays Barber, Grieg and Wolf (01-728 2333/01-722 5511)

■ FLORENCE

MAGGIO MUSICALE

Marco Balderi conducts a free choral concert tonight at Basilica di S. Croce. Giorgia Tomassi, winner of the 1992 Rubinstein Piano Competition, gives a recital tomorrow at the Teatro Communale. Bob Wilson's new Japanese double-bill, set to music by Marcello Panni and Jo Kondo, opens on Mon at Teatro della Pergola with cast headed by Dunja Vejzovic and Elise Ross. A MaggioDanza triple bill, featuring choreographies by Paco Decina, Paul Taylor and Anthony Tudor, opens next Wed in the Teatro Communale. The festival runs till July 1 (055-277 9236)

■ GENOA

Teatro Carlo Felice Leoncavallo'e operetta *La reginetta delle rose* opens on Tues, conducted by Gianandrea Gavazzeni and staged by Filippo Crivelli, with cast headed by Denia Gavazzeni Mazzola and Luca Canonici. Repeated June 16, 19, 21, 22, 25, 26, 28 (010-589329)

■ LONDON

THEATRE

- The Queen and I: Max Stafford-Clark's new company, Out of Joint, gives the premiere of Sue Townsend's stage version of her bestselling novel, which places the Royal Family on a housing estate. Pam Ferris plays the Queen. Now in previews, opens on Sat (Royal Court 071-730 1745)
- Sweet Bird of Youth: Richard Eyre'a new production of Tennessee Williams' 1959 drama about a Hollywood drifter who returns to his hometown to encounter the vengeful father of a girl he once seduced. Cast includes Clare Higgins and Richard Pasco. Previews begin tomorrow in the Lyttelton, opens next Thurs (National 071-928 2252)
- Hamlet: Tim Pigott-Smith directs New Shakespeare Company's production in Regent's Park, with the youthful Damian Lewis in the title role. Previews from Mon, opens next Wed, and continuing in repertory with A Midsummer Night'a Dream directed by Deborah Paige (Open Air 071-486 2431)
- Pericles: Douglas Hodge stars in the National's new production of Shakespeare's magical epic directed by Phyllida Lloyd. In repertory at the Olivier with Alan Bennett's acclaimed stage adaptation of Kenneth Grahame's novel The Wind In the Willows (National 071-928 2252)
- King Lear: Robert Stephens plays Lear in a transfer from Stratford of Adrian Noble's 1993 RSC production (Barbican 071-638 8891)
- Dead Funny: Terry Johnson's new comedy of sexual impotence has nudity, swearing, tension and bite. With Zoe Wanamaker and David Haig (Vaudeville 071-836 9987)

OPERA/DANCE

Covent Garden The Royal Opera has a final performance of Mosè in Egitto on Sat, and a new production of Aida opening next Thurs with a cast headed by Cheryl Studer and Dennis O'Neill. The Royal Ballet has Anthony Dowell's staging of the Baryshnikov production of Don Quixote, starring Sylvie Guillem/Viviana Durante (till June 25). Ashley Page'a new ballet Fearful Symmetries, set to music by John Adams, receives its world premiere on June 18 as part of a mixed bill (071-240 1066)

Coliseum ENO's new production of Jenufa, conducted by Sian Edwards and staged by Lucy Bailey, opened last night with cast headed by Susan Bullock, Josephine Barstow and Kim Begley. Repertory also includes Cosi fan tutte (last performance tonight) and Peter Grimes. La boheme is revived on Juna 18 and the season runs till July 2 (071-836 3181)

Sadler'e Wells Washington Ballet is in residence till Sat with works by Nils Christe, Monica Levy and Coo-San Goh (071-278 8916)

CONCERTS

South Bank Centre Tonight, Sat: John Eliot Gardiner conducts semi-staged performances of Don Giovanni, with cast including Rodney Gilfry, Luba Orgonasova and Elrian James. Tomorrow: Rafael Frühbeck de Burgos conducts Philharmonia Orchestra in works by Glinka, Tchaikovsky and Rimsky-Korsakov, with piann soloist Horacio Gutierrez. Sun: Orff's Carmina Burana. Wed: Young Musicians Symphony Orchestra and Chorus in works by Walton and Holst. June 17: Maurizio *Pollini (071-928 8800)*

Barbican Tonight: Kent Nagano conducts LSO in works by James Ellis, Mozart and Stravinsky, with soloists Viktoria Mullova and Yuri Bashmet. Tnmorrow: Yuri Temirkanov conducts RPO in Strauss, Mozart and Rakhmaninov, with violin soloist Zino Vinnikov. Sun: Nagano conducts LSO in Ravel, Berlioz and Stravinsky, with viola soloist Yuri Bashmet. Tues: Howard Shelley and Michael Roll open a cycle of Beethoven piano concertos with London Mozart Players. Wed: Icelandic Choir in Bach's B minor Mass. June 17: Felicity Lott and Ann Murray (071-638 8891)

■ MADRID

Auditorin Nacional de Musica The Spanish National Orchestra's season ends tomorrow, Sat and Sun with Beethoven's Ninth Symphony conducted by Aldo Ceccato (01-337 0100)

Teatro Lirico La Zarzuela The next production is Wozzeck, opening on June 20 in a production featuring Anja Silja and Graham Clark (01-429 8225)

■ MILAN

Teatro alla Scala Tnnight, Sat, next Mon, Wed, Fri: Riccardn Muti conducts Gilbert Deflo's production of Rigoletto, with casts including Leo Nucci, Roberto Alagna and Ruth Ann Swenson. Tnmorrow: Giuseppe Sinopoli conducts final performance of Luca Ronconi's production of Elektra. Sun: Orchestra Filarmonica della Scala. Tues: Muti conducts *first nf three concerts in a Varese* Festival. The other concerts, on June 21 and 23, are conducted by Riccardo Chailly and Pierre Boulez (02-7200 3744)

■ SPOLETO

This year's festival runs from June 22 to July 10. Highlights includa a staging of Wozzeck by avant-garde German producer Günter Krämer and a Poulenc double-bill pairing his surreal opera Les mamelles de Tirésias with a reconstruction of Nijinska's original choreography of Les Biches. The dance programme is headed by Martha Graham Danca Company and Roland Petit's Ballet National da Marseille. The drama programme includes the St Petersburg Maly Theatre production of Claustrophobia and an Italian-languaga staging of Arthur Miller's The Last Yankee (Tickets can be bought at Teatro Olimpico in Rome 06-323 4890 or Teatro Nuovo in Spoleto 0743-40265)

■ TURIN

Teatro Regio La Cenerentola npans nn Tues in a production conducted by Bruno Campanella and staged by Roberto Di Simone, with a cast headed by Jennifer Larmore/ Susanne Mentzer, Rockwell Blake and Michele Pertusi. Repeated June 18, 18, 19, 21, 23, 25, 26, 28, 30 (011-881 5214)

■ VENICE

Teatro La Fenice Tonight: Michael Boder conducts first night of a double-bill pairing Busoni's Turandot with Stravinsky's Perséphone. The staging is by Fabrizio Clerici and Enrico D'Assia, and the cast includes Sabina Hass, Paul Frey and Fanny Ardant. Repeated June 11, 13, 15, 17, 19 (041-521 0161)

■ VERONA

Arena The season runs from July 8 to September 3, and includes performances of Norma, Otello, La boheme, Aida and Nabucco. Placido Domingo will sing the title role in Otello on August 5 and in a special gala on August 9 (Booking by letter: Ente Lirico Arena di Verona, Piazza Bra 28, 37100 Verona. Booking by telephone or in person: Servizin Biglietteria, Via Dietro Anfiteatro 6/B. Tel 045-596517 Fax 045-801 3287)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austna, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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In the long run, Keynes is still dead

BOOK REVIEW

PEDDLING PROSPERITY
By Paul Krugman
W W Norton, $22, 303 pages

Unlike a starry-eyed reviewer for The Economist, I feel no urge to nominate Paul Krugman for a Nobel prize. Krugman has a rare gift for conveying complex ideas in simple, entertaining prose. But his central argument – that a revived version of Keynesian theory has superseded conservative economics – ie too wrongheaded to deserve support.

The best parts of the book deal with new theories. The chapter on "QWERTY" economics is vintage Krugman. The top line of keys on a typewriter, he notes, reads QWERTYUIOP. This choice is not particularly easy on the fingers. It just happened to be chosen by the first makers of typewriters. But since typists learned their trade on QWERTY machines, fnture manufacturers had to cater to their needs. As e result an inefficient keyboard design quickly became "locked in".

Krugman believes the structure of modern economies is heavily influenced by such accidents of history; just as a wise bureaucrat could, in principle, have stipulated a more efficient keyboard eo, today, judicious industrial intervention could improve on unfettered market outcomes.

He also recounts the supposed death blow to conservative macroeconomics dealt by George Akerlof, a Berkeley economist. Akerlof pointed out that most economists assume people are totally rational. But in the real world it is irrational to be perfectly rational because you would spend forever collecting the information needed for an efficient decision. Most people are thus elightly irrational. But the collective results of slight irratioпality can be devastating. For example slight deviations from rationality might lead workers to refuse even small wage cuts. But if everybody refuses to adjust, the result is high unemployment and widespread economic dislocation – something nobody wanted.

The root argument here is that the cumulative result of individually sensible decisions can be serious inefficiencies and, occasionally, disasters such as the Great Depression. To Krugman and friends, such reasoning provides a powerful theoretical justification for government intervention – both to prevent or ameliorate recessions and to improve industrial structure.

While admiring Krugman's style of argument, I find the book neither consistent nor, ultimately, convincing. Just consider the plot. Krugman spends the best part of e decade poking holes in the classical theory of free trade, gaining in the process a reputation as one of leading "new Keyneeians". Tha general tenor of his work inspires future policy makers such as Laura D'Andrea Tyson, the White House chief economist, and Robert Reich, the labor secretary. Once in power they try to implement more interventionist policies. Now Krugman pulls away the rug, declaring that he always believed that free trade, in practice, was the right approach: Clinton officials have just failed to grasp the subtleties of his argument. Isn't this a bit rich?

There is an ugly twist to the story. Krugman is not content to attack the arguments of "policy entrepreneurs" – his pejorative term for Reich and other supposedly shallow thinkers. He is an unabashed "credentialist" – a snooty professor who believes that only people with the right paper qualifications deserve to be taken seriously. He pulls academic rank on Reich, telling readers that he has no formal training in economics and was only a lecturer at Harvard. Krugman, of course, is a full professor at MIT.

In a similar vein, he attacks Robert Bartley, editor of the Wall Street Journal, and a peddler of a different kind of prosperity in the early 1980s. Instead of confining himself to an economic critique of Bartley's tax-cutting philosophy, he relates how Bartley "began work as a reporter at the age of 22". How absurd, in other words, to pay him any attention: he does not even have a graduate degree.

More important, Krugman exaggerates the significance of the revival of Keynesian theories. We have already seen that he violently opposes any attempt to draw practical policy conclusions from QWERTY economics – perhaps because he knows that "government failure" is usually a more serious prohlem than "market failure". The only moral he draws from the new Keynesian macroeconomics of Akerlof and others is that central banks must lower interest rates during recessions. Big news. Would Alan Greenspan, the Federal Reserve chairman, and e lifelong conservative, disagree?

I would hate readers to gain the impression that an intellectual revolution has occurred in which Krugman and friends have vanquished the arguments of conservatives such as Milton Friedman. It just is not true. Indeed, the striking thing is how much conservative economics Krugman now accepts.

In 1968 Friedman argued that there was no long-run trade off between inflation and unemployment. Attempts to maintain unemployment below a "natural rate" would simply lead to accelerating inflation. The argument was rejected by most academics, inclnding Krugman'e mentors – the leading Keynesians at Harvard and MIT. The economic misery of the 1970s was largely caused by policy makers' vain attempts to refute Friedman's logic.

Now Krugman, the new Keynesian, describes Friedman's argument as "one of the decisive intellectual achievements of postwar economics". He also accepts that inflation is essentially a monetary phenomenqn, that fiscal fine-tuning does not work, that high taxes destroy incentives, that government regulations undermine business, and that trade should not be managed.

How peculiar then that he should write so contemptuously of the "moral and intellectual decline of conservative economics". If this is decline, perhaps we should have more of it.

Michael Prowse

ECONOMIC VIEWPOINT

The zenith of the central banks

By Samuel Brittan

Britain this summer is suffering from a surfeit of anniversaries. One of the grandest is the 300th anniversary of the Bank of England. Central bankers have always been lavish in mutual appreciation, and 150 other central bank governors are in London for the occasion. They have been entertained at Buckingham Palace and attended a closed concert at the Barbican, where they heard Walton's *Belshazzar's Feast*: a feast which was interrupted by the appearance on the wall of the mysterious words "Mene, Mene, Tekel" and "Parsin" which foretold the destruction of Babylon. They pay for it all today by participating in an academic conference on central banking.

The Bank of England is not quite the oldest central bank. The Sverige Riksbank was founded 26 years earlier in 1668. The Bank of England was the government's bank from the beginning, as it was established to raise £1.2m for William of Orange, whose main interest in the English throne was in the funds it could provide for his native country'e war against France.

What gives central banks their unique function is their monopoly of the note issue and their role of lender of last resort to the commercial banks. The Bank of England was not a real central bank in its earlier years. It did not acquire a full monopoly of the note issue until Robert Peel's Bank Charter Act of 1844, and did not take on full lender of least resort obligations until the Overend, Gurney crash in the late 1860s.

The most famous governor the Bank has ever had was Montagu Norman, who both reigned and ruled from 1920 to 1944. Norman becama a *bête noire* in political circles, as he was blamed for forcing Winston Churchill to return to gold in 1925 at the 1914 parity, and for resistance to Keynes's anti-Depression policies.

There was no way the Bank could have avoided postwar nationalisation. But the Bank wasted a golden opportunity in the pre-nationalisation discussions, when it had a chance to seek clearly defined responsibilities, but confined its attention to the narrow question of statutory powers over other banks. As early as 1945, the governor of the Bank of Canada, Graham Towers, wrote to Lord Keynes: "Tha half-way arrangement under which the central bank is neither a department of government pure and simple, nor directly responsible to the public for its actions, may contain the worst elements of both worlds."


Sir John Houblon (left), the Bank's first governor in 1694, and Montagu Norman, the most famous

There was then e long postwar period when fiscal and even incomes policy had precedence over monetary policy. Even when the latter came back into favour, central bankers were hamstrung by official insistence that they stick to monetary rules by which they were unconvinced.

Central bankers are now, however, at a peak of prestige, having benefited from the widespread loss of faith in governments. The last word in mainstream economic wisdom is that it is credibility, rather than targets, that matter; and this is best achieved by leaving central banks independent of government control to achieve price stability hy methods of their own choice. But, like Belshazzar, they will be hard pressed to sustain their present eminence. Although they have gained in relation to governments, they have lost in relation to markets.

How do central banks intend to carry out their monetary responsibilities? Michael Prowse explained in the Financial Times on Monday that the Fed operates according to two unpublished rules: it will raise short-term interest rates if real economic growth appears likely to exceed the annual 2¼ to 3 per cent it regards as sustainable; and it will also raise them if inflation shows any sign of rising above the current level of just under 3 per cent.

Mervyn King of the Bank of England has explained explicitly that the Bank's policy is based on a projection of where the inflation rate will be in two years. Meanwhile, the Bundesbank sticks to targets for a wide measure of money, hut is prepared to override them.

Central bankers seem grave-faced, concerned with so much more than interest rates

These guidelines may be better than the political instincts of governments; but can we be at all confident that they will stabilise either the financial system or the economy? Indeed, central banks seem more and more to follow the lead given by hond markets rather than take the initiative.

Indeed, some analysts are suggeeting that the whole development of central banking has been a mistake. There was alwaye a free banking school that queried the central bank monopoly of the note issue. This has been joined in modern times hy advocates of currency competition, not only between national currencies, but between private enterprise ones as well. "Why should banking be treated differently from any other industry?" has been the cry.

Until recently I had been put off the free banking movement because its members had no reply to two questions:

- What prevents the competitive supply of money today, given that the official restrictions apply only to notes and coin, and that the overwhelming part of the money supply consists of deposits and financial liabilities of various kinds?
- How can the unregulated banks, say of Scotland in the early 19th century whose experience is so frequently cited, really have been competitive suppliers of money when their notes were convertible into gold and silver, which were then seen as true currency?

I have, however, at last discovered an economist, David Glasner*, who faces these questions head on, without a trace of the crankiness which often affects writers of this school.

The author's answer to the first question is to accept that financial markets can and do create many different kinds of money, even though that money ie denominated in terms of the coin of the realm. He cites the development of the Euro-currency markets as an outstanding example. His argument with the central banks is that these developments should be accepted, not fought Canute-like.

But in contrast to many free bankers, he accepts that there must be a stable non-inflationary form of base currency into which reputable hankers should be prepared ultimately to convert their deposits. He proposes, following many turn-of-the-century economists such as Alfred Marshall and Irving Fisher, an adjusted Gold Standard whereby government currency becomes once more convertihle into gold, hut at varying rates calculated to stabilise the general price level.

Ohviously the idea needs more analysis. Meanwhile the heretics provide persuasive critiques of the habit of monetary authorlties of underwriting bank deposits, whether through credit insurance or bailing out individual banks like Continental Illinois, and extracting a *quid pro quo* in the shape of banking supervision. It is this combination which enables central bankers to go around as grave-faced financial overseers concerned with so much more than the mere interest rate decisions that engage their economists.

A free banking perspective has the advantage of ending the artificial distinction between discussions about monetary policy conducted as in church and real world bankers' concerns about where to extend operations and where to contract them. The heretical insight is that, given the right institutional structure, banking can be treated like any other industry and the amount of deposit money and other financial liabilities left to ordinary competitive forces. If we rely too much on the central bankers' discretion, we will find that our emperors are without any clothes.

**Free Banking and Monetary Reform, Cambridge, 1989*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

R&D the victim of high dividend policies

From Dr J H Mulvey.

Sir, Lord Hanson objects to Treasury financial secretary Stephen Dorrell's querying City practices, and in particular defends the insistence on consistently high dividends in bad times as well as good ("Hanson angered hy Dorrell query over 'too high' dividends", June 4/5). But no one who has read the evidence presented to the House of Commons committee on trade and industry inquiry into the competitiveness of UK manufacturing industry can seriously doubt the City's negative influence on the level of industrial investment in the UK compared to thet in our main competitor nations.

The effect on management is either to require internal rates of return two to three times higher than the nominal interest rate or unrealistically short pay-back periods, to avoid risking the value of dividends.

The City view that if UK industry is not investing in R&D it must be because management sees no opportunities must leave research directors gaping, and our foreign competitors laughing.

A survey hy KPMG Peat Marwick of nearly 700 company directors revealed thet the most difficult aspect of performing R&D was finding the money. Managing directors of companies listed on the Stock Exchange were almost at one (82 per cent) in saying the City does not understand R&D investment requirements. If nothing worse, there is a manifest breakdown of comprehension at the critical interface between industry and the financial sector. Stephen Dorrell should he thanked for hringing these issues into the open. Here is where the country should be looking to understand the failure to "realise the potential" of an outstanding tradition of research in science and technology.

Yet last year's white paper on science and technology in the cause of "wealth creation" (which only two out of 14 City analysts interviewed by KPMG knew about) ignores these problems, while introducing a more *dirigiste* approach to management of research that could threaten the vitality and originality of the science base.

J H Mulvey,
executive secretary,
The Save British Science Society,
Box 241, Oxford, OX1 3QQ

Statistics tell nothing about individual poor

From Mr Paul Ashton.

Sir, Following publication of the Institute for Fiscal Studies report on the distribution of incomes, you comment in your editorial ("More unequal than others", June 3) that "the evidence that the poorest in society are not benefiting from the economic growth enjoyed by the majority is mounting".

However, what the IFS figures show, very clearly, is just how misleading some statistics cen be.

It needs to be pointed out that the figures tell us nothing about how individuals fared over any of the time periods studied in the report.

Its data contained no information about how individuals, or households, who appeared in the "poor" category in one year progressed in subsequent years. A different group of people appeared in each of the years under investigation.

This rather limits the usefulness of the findings when it comes to policy implications, especially when we note thet the level of state benefits for the poorest has increased by 49 per cent in real terms between 1961 and 1991.

Paul Ashton,
37 Benbow Avenue,
Eastbourne,
W Sussex BN23 6EB

OECD employment plan called into question

From Mr Denis MacShane MP.

Sir, You report that the OECD has revised its growth forecast for Germany for 1994 upward from 0.8 per cent to 1.8 per cent ("Retreat by bunds drags European prices lower", June 8). These figures may appear trifling but they represent huge sums of money. Instead of adding $12bn to its gross domestic product – the OECD'e original estimate – the Paris statisticians now say $28bn of extra wealth will be created in Germany.

There are three important conclusions that can be drawn from this. First, what other economic organisation gets its forecast wrong by more than 100 per cent? Second, how is this impressive German growth sqnared with complaints that Germany *has* the highest social costs, highest wages, and most powerful unions and works councils in the world? Third, should we take much notice of the OECD plan for employment which is largely based on theories of deregulation, lower wages and longer work hours which have only increased poverty and social division when epplied in the UK and US in recent years?

Denis MacShane,
House of Commons,
London SW1A 0AA

Commission's aim on contracting out is clarification

From Mr David Lea.

Sir, in his article, "Government near victory on contracting-out reform" (May 31), David Goodhart seems to have swallowed a heavy dose of Department of Employment propaganda in arguing that the UK government is "near victory" in securing the exclusion of contracting out from the EU Acquired Rights directive (Tupe). Although the government has been lobbying vigorously in Brussels for an amendment to this effect, the revisions proposed by the Commission are not geared to any such objective.

Indeed, the Commission's purpose in revising the 1977 directive is not to reduce the protections that it provides, hut to clarify its operation. The new definition of a transfer set out in Article 1 does not exclude contracting out. It simply codifies recent decisions of the European Court of Justice in the leading cases of Sophie Redmond, Spijkers, and Schmidt, among others. In each of those cases the ECJ explained that the key test of whether a transfer had taken place was whether an economic entity which had retained its identity had been transferred. Identical words are to be found in ths new Article 1 of the 1977 directive.

It is also worth noting that both the Trades Union Congress and the Confederation of British Industry have been consulted on the most recent proposal from the Commission through their European organisations, the ETUC and UNICE. We would not have been happy with a text which reduced the existing protections, and in my view there is nothing in the new Article 1 which will cause difficulties for the trade union movement. The revision does have several further stages to go through before it is finally adopted, and it therefore seems premature to euggest that the government is "near victory".

Far from indicating that the EU "is moving to accommodate the UK'e deregulatory approach" the proposed revision of the directive demonstrates the Commission's determination to defend high standards of social protection against sustained ideological assault. Nor is it the case that the amended directive will assist the governmant at national level. The controversy surrounding the application of the directive and Tupe 1981 to compulsory competitive tendering and market testing looks set to continue. However, with each new decision of the UK courts and the ECJ it is becoming clearer that most forms of competition in public services are caught by both Tupe and the directive.

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FINANCIAL TIMES

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Thursday June 9 1994

A distant parliament

In theory the elections to the European parliament today and on Sunday should be taken more seriously than previous such ballots. The assembly at Strasbourg is not an impotent talking-shop. It has the power to amend European Union legislation.

The Maastricht treaty enables it to veto some proposals, accept or reject the nominations for the new European Commission due to take office in 1995, and check the union's budget. It should be able to influence a broad range of EU policies, including foreign relations. Some of its elected members may become rapporteurs on important Union directives. As such, they arguably have more power than most backbenchers in national parliaments. Lobbyists and pressure groups have discovered this. Consequently, they devote increasing attention and expenditure to influencing MEPs.

The public, perhaps influenced by the media, remains largely unmoved. Voter participation this weekend is expected to be low, on average below 50 per cent in countries where voting is not obligatory. The turnout in Britain in 1989 was only 36 per cent. It would not be surprising if the figure this time is even lower. Few of those who vote will do so primarily for the ostensible purpose of this weekend's election, namely to choose a representative to send to the European Parliament. Most are likely to use the opportunity to express dissatisfaction with their national governments.

Opportunity

In Britain, the Conservative party's nationalistic rhetoric may be in tune with the sentiments of many of its traditional supporters, but the expectation is that large numbers of them will stay at home anyway. Everyone can see how divided the government is in its approach to the EU. Besides, the opportunity to deliver a protest to an administration that polling suggests is more unpopular than any in post-1945 history seems too tempting to miss. This is why Labour has campaigned on domestic, not EU, issues and the Liberal Democrats have not flaunted their Europeanism.

Britain has stuck to first-past-the-post rather than a proportional voting system. In consequence, the left bloc in the European parliament is likely to be disproportionately well represented. It is not clear that this will mean much to the European electorate. In Germany, where the turnout was 62.4 per cent in 1989, both the Christian Democrats and the opposition Social Democrats have campaigned on national issues such as unemployment and crime, although these have been given a European flavour. In France (1989 turnout 48.7 per cent) participation is also expected to be lower this year. A lacklustre campaign is primarily interesting as a guide to the likely outcome of next year's presidential election. Anti-Maastricht parties may, however, do relatively well in both countries. A small but disturbing minority may support parties of the far right, notably in France, Germany and Italy.

Accountability

This anticipated lack of fervour for the European parliament may disappoint its members, but the voters know what they are doing. The Strasbourg assembly does not have the full power to grant or withhold taxation, or pass legislation. Such prerogatives are still held by the national states. The European Commission is an executive of sorts, but it is not democratically accountable. It is not dependent on a majority in the parliament for day-to-day decision-making, as are the cabinets of the 12 member governments. Its powers, while not negligible, do not seem to the electors to relate to their bread-and-butter concerns.

Since the fall of communism in 1989 Europe has entered a period of uncertainty. The evolution implicit in the Maastricht treaty is no longer regarded as desirable by all member states. Putative new members of the union are understandably hesitant, as the Austrians may show in their referendum on Sunday. The further evolution of the EU will be pursued, if at all, at variable speeds according to national circumstance. The shape of that evolution is no longer predictable. Many citizens of the EU understand this. Their response is naturally to focus on their national interests. Voting for a distant and incomprehensible parliament towards the end of a deeply-felt recession is therefore bound to be patchy.

Questions for the bankers

The collection of central bankers present in London to celebrate the tercentenary of the Bank of England have never enjoyed greater independent authority over monetary policy. But power brings vexatious responsibility and important questions remain to be solved.

Abandonment of the gold standard was largely explained by a belief that monetary policy should help secure full employment. Unfortunately, the Bretton Woods monetary system proved inadequate to curb the consequent impulse towards over-expansionary monetary policy. Where the system failed, experience succeeded. Events in the 1970s justified the fundamental notion of the monetarist counter-revolution, which was that a monetary expansion would, in the long run, lead only to higher inflation.

Enter, then, the modern independent central bank, with its clear mandate to secure price stability. That had been the mission of the Bundesbank, whose establishment reflected both the anti-Keynesian views of German policymakers and the country's catastrophic monetary experience. Its example has been increasingly imitated throughout the world. With the UK government's explicit inflation target, the inflation report, the publication of minutes of the meetings between the chancellor of the exchequer and the governor of the Bank of England and the latter's increasingly outspoken comments, even the Old Lady is on a looser chain.

Extraordinary freedom

In the absence of exchange rate or monetary targets, central banks have extraordinary freedom in deciding how to achieve their objectives and even to define the precise criteria by which they are to be judged. Even where banks are not formally independent, as in the UK, the disappearance of exchange controls gives them great leverage over government. Their power to publish is also power to destroy government credibility.

The case for such enhanced central bank autonomy is overwhelming. People make financial decisions that are much longer term than is any parliament. To do so safely and efficiently, they must have confidence in the monetary framework. Even though this case for independence is widely conceded, the debate over central banking is far from over. At least four big questions remain.

The first is how best to combine independence with accountability. The New Zealand example, with its precise 0-2 per cent target for inflation, looks attractive. It forces the central bank to be more explicit about its views, thereby increasing confidence in markets.

Target zones

The second is how to link currencies. At present, major currencies are in a lightly managed float against one another. It is easy to accept that it might be better in an ideal world for there to be a world currency, as under the gold standard. That is politically infeasible. Yet it is uncertain whether a more managed float, such as one involving "target zones", would be an improvement.

The third is how to manage increasingly complex and interlinked global financial markets. The problem of derivatives is on everyone's lips. There is also growing concern at the persistent tendency of the markets to bubble and collapse, transmitting the ill-effects worldwide.

Finally, there is the issue of banking supervision. Again the innovator, the Reserve Bank of New Zealand, has decided to hand this job over to the markets, by insisting that all information be made public. The advantages of such a shift or, alternatively, of separating central banking from supervision seem evident. Only thus would it be difficult for depositors, seeking compensation, to argue that central bankers are to blame for bank failures.

Answering these questions will not be easy. Internationally, central bankers will have to manage an ever higher degree of co-operation, given the increasing integration of financial markets. Domestically, they will be blamed when things go wrong and will be tempted to hide themselves behind a veil of secrecy. But they can achieve what they want only if they say what they are doing and why. Theirs is a game of credibility and confidence. It must, correspondingly, be played with consistency and clarity.

Nato's relationship with Russia is proving unexpectedly difficult for the west to define, says **Bruce Clark**

Old enemies make tricky friends

A senior aide to Mr Mikhail Gorbachev, former president of the Soviet Union, once made a prophetic warning to tha west: "We will do something terrible to you. We will take away your enemy."

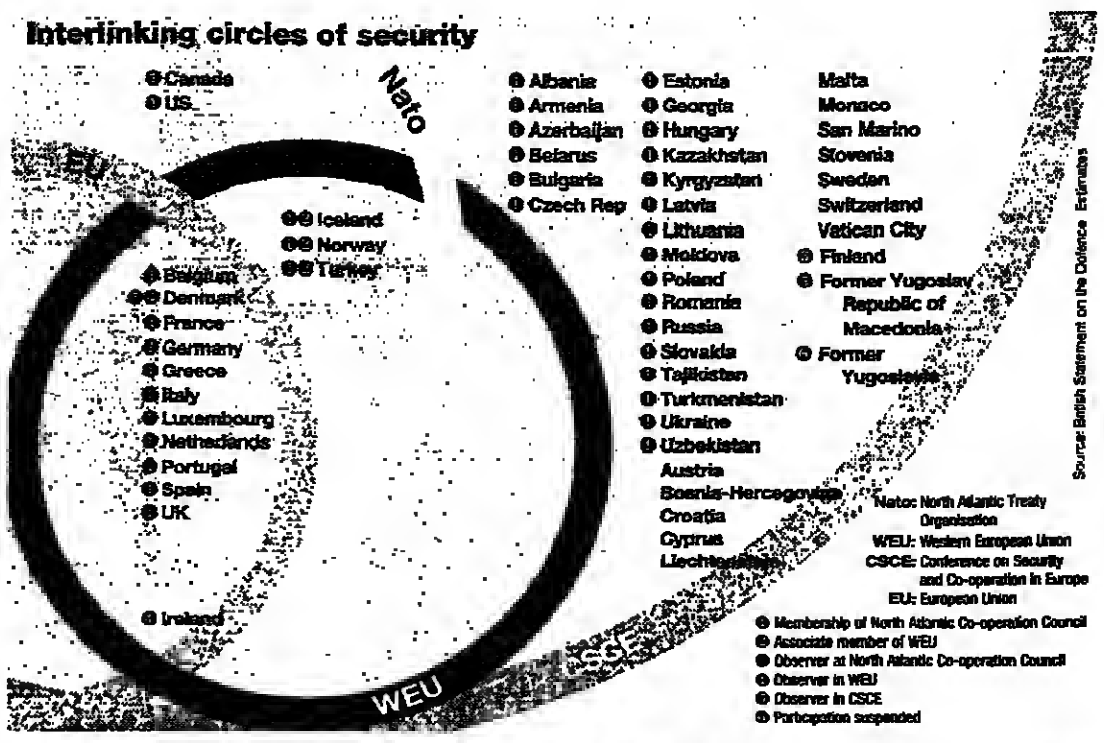
Those words will haunt the foreign ministers of Nato's 16 members as they convene today in Istanbul, to be joined tomorrow by their counterparts from the former Warsaw Pact. The stakes are high. If Nato and Russia can bridge their substantial differences over new security arrangements in Europe and beyond, this could pave the way for a breakthrough in the broader relationship between Russia and the west. It could be sealed perhaps with a triumphant appearance for Russia's President Boris Yeltsin at the Group of Seven summit in Naples next month. Ideally, Russia would like the group to be rechristened the Group of Eight, but the best it can hope for is participation in the group's political – not economic – discussions.

In the face of Russia's aspirations, alliance members will be trying to balance their attempts at accommoding Mr Yeltsin with the need to reassure Moscow's former "satellies", the Poles, Czechs and Hungarians, that Russia would not have a veto over policy.

These would be hard tasks for the alliance even if members were clear about their common purpose. But as the Russians are keenly aware, Nato now lacks the consolidating influence of a good, old-fashioned enemy. Bereft of a communist foe, the alliance has been grooming itself to act as an all-purpose multinational taskforce, ready to move on the instructions of other international bodies, such as the United Nations or the 53-nation Conference on Security and Co-operation in Europe. Yet the experience of Bosnia – where Nato polices the sea and air, while the UN operates on the ground – has shown how acutely uncomfortable the alliance feels about acting as servant rather than master.

Such uncertainty is haunting Nato at a time when Russia's leadership has presented it with a foreign policy stance both ambitious and shrewdly judged. While some of Russia's ideas sound far-fetched to western ears, Nato defence ministers were nevertheless dazed by tha skill of the diplomatic assault mounted in Brussels two weeks ago by General Pavel Grachev.

They had a rough idea of what he was going to say. First, he would signal adherence to the Partnership for Peace, a military co-operation programme designed by Nato that involves joint exercises and the possibility (for some countries, at least) of eventual full membership. He would also demand a special relationship between Nato and Russia.



The ministers had their answer ready: no to a formal treaty separate from PFP; yes to a political statement that would stroke the Muscovite ego by acknowledging Russia's importance, and yes to a dialogue at Nato's discretion.

Gen Grachev lightened a tense atmosphere by telling the waiting ministers that, of course, Russia would join PFP. But the next day, he put forward a list of proposals so tough and far-reaching that few listeners immediately understood them. These included:

- the creation of a Eurasian security order whose apex would ha formed not by Nato, but by the CSCE;
- the subordination to the CSCE of all other security organisations: Nato, the Western European Union and the Commonwealth of Independent States (CIS), which comprises 12 ex-Soviet republics;
- if the CSCE provided political and diplomatic leadership, then its "military arm" might be provided by the North Atlantic Co-operation Council, which consists of Nato, the former Warsaw Pact and the former Soviet republics;
- an "effective mechanism of consultation" between Russia and Nato "on the whole range of European and world security issues, which could function both in emergencies and on e regular basis" – in other words, whenever Russia wanted.

To cap it all, Gen Grachev produced eight pages of "parameters" which would govern Russia's participation in PFP and which, on inspection, look like the preconditions which Nato had vowed never to consider.

Whila consideration of Russia's parameters can itself be viewed as a concession by Nato, the alliance does not have the slightest intention of submitting itself to the CSCE or to an effective Russian veto over its actions. In any case, the CSCE has neither the financial nor the administrative resources to become the policeman of Eurasia.

When the Russians arrive tomorrow, however, it should become clearer to what extent compromise hinges on the unrealistic institutional changes outlined by Gen Grachev. Like the general's verbal pronouncements, the points are an artful "mixture of the constructive, the negotiable and the outrageous", according to a Nato official. There are imaginative ideas about military co-operation; requests for a dialogue on nuclear safety and non-proliferation; and fresh demands for Nato to become the junior branch of the CSCE.

But discernible through the high-flown Russian rhetoric is a more realistic agenda, reflecting the "bottom-lina" aspirations of both sides. Moscow wants freedom of action in the steadily reintegrating CIS; Nato wants the same freedom plus legal and diplomatic imprimatur in as wide an area as possible.

Neither side is happy to give the other *carte blanche*, and each would ideally like to retain some say over the behaviour of the other. But the two sides' aspirations are not so contradictory as to rule out the possibility of compromise; and if such a compromise on freedom of action is to be struck, then some body with roughly the same membership as the CSCE would be needed to regulate it.

The initial Nato reaction to Russian proposals for a triad based on the CSCE (or something like it), Nato and the CIS will almost certainly be a chorus of denunciation. But as Russian strategists are aware, each member of the chorus will be singing a somewhat different tune.

Some of the strongest opposition to any real upgrading of the CSCE will come from the US, which is already unhappy about the loss of sovereignty it suffers when working through the United Nations and has no stomach for involvement with another unwieldy institution.

But Germany has shown greater sympathy for a limited increase in the CSCE's remit. Days before Gen Grachev arrived in Brussels, the German government floated proposals – designed in part to satisfy Russian concerns – that would increase the CSCE's authority to intervene in conflicts, if necessary without the consent of the warring parties.

By putting forward the CIS as one of the pillars of a new security arrangement, Moscow is effectively asking for western recognition of its influence in the three republics of trans-Caucasia and the five of Central Asia. If, in return for such acknowledgement, Russia is prepared to guarantee restraint in its behaviour on its western borders, it would be a tempting deal for Germany, which is acutely worried about the security of its central European neighbours.

For most other Nato countries, hesitation over endorsing Russian tactics in the CIS – which have included intervention in the supposedly "internal" conflicts of its neighbours – is tempered by the thought that almost anything is preferable to chaos.

However, one alliance member is definitely not prepared to cede all influence over the southern republics of the CIS to Russia – and that is Turkey. There is undisguised dismay among the hosts today at the prospect of tolerating Russian hegemony over parts of the world which until recently were viewed as ripe for incorporation into the cultural and economic orbit of Turkey.

Russian tactics in the republics to its south beve included frequent recourse to the imperialist principle of divide-and-rule – supporting one side and then the other, and occasionally both simultaneously – in the internecine conflicts of places like Georgia and Tajikistan. Unless the Nato ministers are careful, they could find the "divide-and-rule" principle being turned on them.

Channel shoppers' storm in pint pot

PERSONAL VIEW

UK brewers are at odds with the government. The issue is the difference between UK and French excise levels – and the brewers are crying "foul". They complain that the disparity between the two countries' duty levels is leading to a flood of beer imports from France into the UK which is damaging the brewing industry. They want to see UK duty halved. But have they and the Brewers and Licensed Retailers' Association got it right?

New evidence continues to emerge to cast doubt on the extent of their claims. While UK consumers are clearly exploiting lower French beer prices, lack of official data has created controversy about the impact of the single market.

No-one disputes that duty on beer in the UK is among the highest in Europe – nearly 30p a pint, compared with 4p in France, while the recommended EU level is 8p. In 1993, the UK industry and the Brewers' Society (now the BLRA), predicted that the new "personal import allowance" of 110 litres of beer – introduced in January 1993 to comply with EU requirements – would encourage cross-Channel shoppers to enjoy the lower beer prices on the Continent.

The BLRA carried out its own survey during 1993 and in its findings, published in February, claimed that personal imports in 1993 were around 1.9m hectolitres of beer, or 330m pints. This would equal around 15 per cent of the UK take-home trade.

The survey was swiftly endorsed by leading brewers. Although undoubtedly extensive and based on observation at ports as well as consumer research, important primary evidence suggests personal imports were probably no more than half this level. The difference matters, because if the industry is to convince government it must approach the problem with defensible data.

The UK government has produced figures for receipts from beer duty in 1993 showing there was ectually an increase, from £2.39bn in 1992 to £2.41bn. UK consumption of beer per head is 100 litres a year, well above the EU average of 82 litres but below the most recent "high" of 120 litres. And the underlying trend is long-term decline, due to factors such as the growth of alternative drinks and demographic shifts. The view that an increase in consumption would compensate for a duty reduction is unrealistic. Denmark reduced beer duty by more than 30 per cent from 1991-1993, yet the market has remained flat.

To convince the government, the UK beer industry must produce defensible data

According to Stats MR, a retail audit company, UK take-home beer market volumes grew by about 2 per cenl in 1993. Yet, according to the BLRA survey, this sector ought to have declined, perhaps by at least 5 per cent. Nor is there evidence that on-premises beer sales fell by more than 4 per cent.

In France, a sharp rise in sales, to reflect e supposedly dramatic increase in personal imports to the UK, would have been expected. Yet, according to data from the Association des Brasseurs de France (the French equivalent of the BLRA), beer consumption actually fell from 23m hectolitres to 22.6m in 1993. These figures include all beer sold in France and therefore cover beer purchased in the Calais hypermarkets by cross-Channel shoppers.

The decline of the French market in 1993 clearly does not credibly accommodate the 1.9m hectolitres of UK personal imports. Total beer sales in 1993 in continental EU and Efta countries were down around 3 per cent. It is unlikely that domestic demand in France was down by more than 5 per cent. This suggests personal imports from France into the UK in 1993 were actually around 800,000 hectolitres, perhaps 1m at most, depending on the 1992 level. Senior sources within the French brewing industry endorse both this view of their domestic market development in 1993 and the level of cross-channel shopping.

Cross-channel passenger loadings lend further circumstantial evidence. According to the ferry operators, there were 3m vehicle journeys in 1993, or 1.5m return trips. Even the lower estimate for personal imports still equals around 60 litres per return trip, while the BLRA survey would imply that every vehicle took a full allowance. Total passenger journeys were much higher, at 8.5m return trips, but this would include coach loads of school children, and foot passengers unable to transport more than a fraction of their allowance – 110 litres is, after all, a lot of beer.

The current situation is, of course, a damaging short-term problem. The new allowances are open to abuse, but Customs and Excise are alert to the problem. If the UK brewing industry, supported by defensible data, were to call for a more measured approach to reducing duty to recommended EU levels, it is more likely to be heeded.

Ian Pressnell

The author is director, Plato Logic, a management consultancy specialising in the drinks industry

OBSERVER

Citizen Spiers joins up

■ At last the UK Citizen's Charter panel recruits someone with experience at the sharp end. John Spiers has joined in order to focus the panel's mind on standards in the National Health Service.

Spiers also happens to be chairman of the Brighton Health Care Trust, which achieved notoriety in April for its novel approach to reducing hospital waiting lists – refusing physiotherapy to chronically sick patients aged over 65. A copy of a letter outlining the policy found its way into the hands of the BBC.

Quick as e flash, Spiers denied that the policy involved "discrimination" but was simply "targeting" resources, thus demonstrating the sort of PR skills now required of the new breed of NHS managers. Targeting is no doubt a firm fixture in the NHS lexicon of useful jargon.

Still, Spiers did partially redeem himself, by exposing the rotten conditions in his trust's hospitals. Arriving in a wheelchair at the Royal Sussex County hospital in Brighton, Spiers posed as a patient needing assistance.

A series of inexcusable mishaps culminated in an exchange with a surly porter who was not wearing a name badge.

When Spiers pointed out that name badges were obligatory under the Patient's Charter, the porter told him to "f*** off". Which epparently is *not* in the said lexicon.

Spin tried

■ Absurd but true. Dutch newspapers are now carrying advertisements from Unilever proclaiming that Lever Nederland is "100 per cent behind" its newest product, Omo Power, a brand of soap powder.

Inspired by the dirty laundry being publicly washed by its arch-rival Procter & Gamble, Unilever is thus now in the ridiculous position of paying good money in order to tell consumers that it likes its own product.

Starry-eyed

■ How nice to see market forces finally at work in that previously tightly state-controlled sector, the former Soviet space industry.

Colonel Talgat Musabayev, a would-be cosmonaut, is being squabbled over by Russia and Kazakhstan; both want him as their interplanetary representative. Russia says he either flies for Russia or Kazakhstan will be charged $10m a week while he is in space, the going rate for "foreigners" aboard Russian spacecraft.

Musabayev was a Soviet citizen until 1991. And although an ethnic Kazakh, be remained in Russia as an officer with the Russian air force; be holds a Russian residency permit; and works at the Russian cosmonaut training centre.

Due to blast off in early July, in theory he should stay in orbit for four months – meaning his flight would cost more than Kazakhstan's entire space budget.

'Does be have to tell so many Irish jokes?'

Nummer ein

■ To mark today's Bank of England central banking symposium, Observer offers 10 things you always wanted to know about one of the world's most secretive clubs.

There are 170 members of the species; Sweden's Riksbank is the oldest; there are over half a million central bankers of whom 100,000 work for the People's Bank of China; the Solomon Islands has the smallest central bank; over half of all central banks are under 40 years old; Britain is the only country where the governor traditionally gets a life peerage; state-owned central banks perform less well than those partly owned by the private sector; the Bundesbank, Bank of France and Bank of Italy each cost almost as much to run as the US Federal Reserve System; the Bank of England is much cheaper to run and increased its pre-tax profits to £120m last year; but its record of keeping a check on inflation is less impressive. Central Banking magazine, source of most of the above stats, calculates that Britain comes 55th out of 110 countries surveyed and is wedged between Barbados and the Central African Republic. No surprise which is number one – the Bundesbank.

Truth or dare?

■ Best quote of a less-than-inspirational European election campaign in the UK came on its closing day, care of Charles Kennedy. The youthful Liberal Democrat president summoned up the phantom of Abraham Lincoln, with the comment thal in politics it is much easier to tell the truth – that way you don't have nearly as much to remember. Why didn't Kennedy think of that on the *first* day of the campaign?

Cracking score

■ A chance to win a methuselah of Veuve Clicquot. Contestants must predict the *difference* between the number of first-class runs scored by Warwickshire batsman Brian Lara this summer and the Footsie close on Monday, September 19 – the final day of the English cricket season. Lara's aggregate currently stands at 1,176, with the FTSE 100 Index hovering around 3,000.

To assist those not in possession of a recent Wisden, Denis Compton holds the record of 3,816 runs scored in 1947, while Jimmy Cook's 1991 tally of 2,755 is the highest since the number of championship games was reduced in 1969. The Footsie's record close was set this year at 3,520.3. Answer by mail or fax to 071 873 3926 – not telephone please – by Friday June 17. In the case of a tie the winner will be picked by Simon Rostron, the City PR man who is putting up the prize.

Resistance man

■ London bar-fly overheard: "Of course the Allies would never have won in Normandy without the help of the French renaissance."

FINANCIAL TIMES
Thursday June 9 1994

S Korea could join in 1996, say ministers

OECD summit agrees new membership talks

By Peter Norman, Economics Editor, in Paris

Ministers from the 25 nations of the Organisatioo for Economic Co-operatioo and Development yesterday moved towards expanding the Paris-based body by approving negotiations on OECD membership with South Korea and four east European countries.

A statement issued after the OECD's two-day annual ministerial meeting held out the prospect of Korea's becoming a member by the end of 1996 and called for "an early start" for negotiations on membership with the Czech Republic, Hungary, Poland and Slovakia.

As a further indication of the OECD's increasingly outward-looking nature in the post-cold war world, the organisation and the Russian government agreed to step up the flow of economic assistance from the OECD to Russia.

Under the terms of a joint declaration on co-operation, the OECD will develop a policy dialogue with Russia, assisting the design and implementation of economic reforms aimed at helping Russia to build a market-based economy.

This year's ministerial meeting was notable for the participation of Mexico, which joined the organisation a few weeks ago as its first new member for more than two decades. In their statement after the meeting, ministers said that marked "the beginning of a new phase in the OECD's development".

The four former communist east European countries have applied formally to join the organisation.

South Korea, which already participates in many of the OECD's committees and activities, intends to apply for membership this year, with a view to joining in 1996. The OECD will examine the terms of Korea's membership as soon as Seoul is ready to do so.

Separate negotiations with each of the four European applicants might begin soon.

Bulgaria, Romania and Slovenia have also asked the OECD for policy advice, and the organisation may help the Baltic states. The OECD intends to explore possibilities for co-operation with China and maintain its policy dialogue with the fast-growing, newly industrialising countries of Asia and Latin America.

Yesterday, Mr Jean-Claude Paye, OECD secretary-general, suggested that Russia might one day become an OECD member. Mr Warren Christopher, US secretary of state, also urged Russia's integration with the west; it was "the best investment we can make in our security and in the security of all the peoples of Europe".

The Paris-based body is to carry out a comprehensive survey of the Russian economy and offer advice on economic restructuring and reform of Russia's tax and statistical systems.

Berlusconi announces laws to boost jobs market

By Robert Graham in Rome

Italy's rightwing Berlusconi government last night announced its first major policy initiative, introducing legislation to boost employment through tax incentives and by reducing rigidities in the labour market.

At the same time, share ownership was encouraged by the introduction of a withholding tax of 12.5 per cent, which will replace a more complex assessment structure. Companies were also encouraged to list on the stock market by giving a tax break on the cost of listing.

The employment measures are in line with the guidelines released this week by the OECD and mark a break with longstanding job protection practices. But they are also intended to underline that the Mr Silvio Berlusconi's government is "business friendly".

They centre on a mix of tax breaks, simplifying the tax structure and financial incentives to create jobs. Next week, the government is expected to announce an easing of restrictions on youth and temporary employment.

Trade unions have been consulted aboot the measures but have raised serious objections over lowering the minimum wage for youth employment and the government's clear desire to introduce part-time jobs.

But the government has argued that longstanding rigidities in the labour market are a principle cause of Italy's 30 per cent youth unemployment. Officials have also told the unions that Italy lags well behind the rest of Europe in the use of part-time workers.

During his election campaign, Mr Berlusconi promised if elected prime minister to create a million jobs. He has since played down this commitment but says that some 300,000 new jobs can be found this year.

A major innovation is a tax rebate of up to 25 per cent of salary for any business that hires for "an indeterminate period" someone who is unemployed, or a first-time job seeker, or handicapped.

Tax incentives are also made available for people starting up companies or raising their investment. First time entrepreneurs up to 30 years old, or those currently unemployed, will have a tax holiday for their first six months in business. Taxes will also encourage profits to be reinvested.

The measures to boost share ownership mark an important departure. Until now shares have had to be declared in income tax forms and have been assessed as part of a person's overall income and taxed accordingly. Now shareholders will pay a single 12.5 per cent tax – the same as that on governmeot bonds – deducted anonymously at source.

Japanese budget agreement opens way to pact talks

By William Dawkins in Tokyo

The lower house of the Japanese parliament last night agreed the nation's Y73,000bn ($694bn) budget for the current year, two months late because of political infighting.

This will come as a relief to the business community, and enables the embattled minority government of Mr Tsutomu Hata to open talks on a pact with the opposition Social Democratic party, in an attempt to cling to power.

The two main opposition groups, the Liberal Democratic party and the SDP, had declared a political amnesty until passage of the budget, after the SDP left the government seven weeks ago.

Until recently, the two groups had planned to call a no-confidence vote against the government soon after the budget's passage. But the SDP has hinted over the past week that it might rejoin the coalition. It wants Mr Hata to resign and resubmit himself as prime minister to atone for the formation in April of a centre-right group, called Kaishin (innovation), which appeared to exclude the SDP from policy-making and prompted its members to walk out.

Mr Wataru Kubo, SDP secretary general, has said the party would also insist that Japan should refuse to take sanctions against North Korea outside the aegis of the United Nations. The socialists also wish to discuss tax reform, where they oppose government plans for an increase in consumption tax.

Negotiations between the coalition and the SDP are expected to begin in the next week. SDP officials believe that rejoining the coalition may be the party's only chance of returning to government, say political analysts in Tokyo. The socialists were in opposition for 47 years until joining the coalition last August under Mr Morihiro Hosokawa, then prime minister.

The budget now goes to the upper house for debate until the end of June, a formality. While the budget calls for only a 2.3 per cent rise in general spending, the smallest increase for six years, the delay has prevented the government from proposing additional expenditure.

Last night's accord was, however, earlier than many had expected because of an agreement between the minority coalition and the opposition to delay calling Mr Hosokawa to testify before parliament on allegations of financial impropriety.

He resigned in April after the LDP blocked the budget in order to apply pressure on Mr Hosokawa to disprove allegations that he had illicitly received cash from a trucking company and tried to conceal a share sale for tax reasons.

Hewlett-Packard in link with Intel

Continued from Page 1

applications such as multimedia and three-dimensional graphics.

By combining the speed and power of HP's Risc technology with Intel's high-volume manufacturing capabilities and the established software bases of both, Intel and HP's collaboration may reinforce the companies' strong market positions, analysts said.

The outcome, bowever, will depend upon the ability of the companies to co-operate. HP and Intel are two of the most successful and established companies in Silicon Valley. However, they have different cultures and little history of joint projects.

The partnership mirrors the microprocessor alliance formed in 1991 by IBM, Apple Computer and Motorola to develop PowerPC microprocessors, upoo which Apple has based its latest Macintosh computers and which IBM plans to use in a broad range of products.

PowerPC as well as Risc microprocessors from Digital Equipment and Sun Microsystems represent a challenge to Intel's domination of the microprocessor market. The partnership with HP is seen as Intel's move to address that.

Competitors noted that Intel and HP do not expect to see finite results from their partnership until the end of the decade.

THE LEX COLUMN

Crude logic

The flaws in Enterprise's industrial case for acquiring Lasmo have not been removed by its latest document. The weakest argument is that there would be savings from joint use of infrastructure. Enterprise argues that the profitability of future developments would be enhanced by cheap access to Lasmo's pipelines in Liverpool Bay and elsewhere. The snag is not simply that access on non-commercial terms would be impossible given that other companies also own stakes in the infrastructure. Even if it were possible, enhanced profitability of Enterprise's developments would merely be matched by reduced profitability of Lasmo's infrastructure.

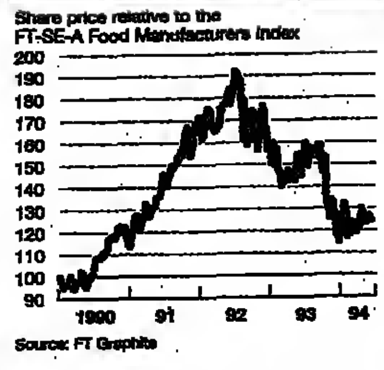
Another Enterprise argument – that its expertise in three-dimensional surveys could be applied to Lasmo – is hardly better. Lasmo has been using 3-D technology for over a decade. That leaves Enterprise's criticism of Lasmo's slow development of its Indonesian interests as the company's most persuasive argument. But even here, the case is not clear-cut. Lasmo's Sanga Sanga concession is fairly mature and so unlikely to yield vast new treasures.

Enterprise should reconsider its strategy of trying to join the big boys' game. An alternative would be to return to its roots as an exploration company by splitting itself into two. One half could contain most of its current production assets as well as group debt. This company would pay investors handsome dividends and gradually liquidate itself. The other half would focus on exploration and would offer investors the hope of capital gains. Enterprise once toyed with this idea. When reminded of it today, the company says it was only joking.

FT-SE Index: 3038.2 (+33.4)

Northern Foods

Share price relative to the FT-SE-A Food Manufacturers Index



Source: FT Graphite

Northern Foods

In the long run the migration of shoppers to large supermarkets should work in Northern Foods' favour. Its position as a supplier of own-label foods to the likes of Marks and Spencer and Sainsbury is a strength. Yet problems arise when this migration becomes a stampede. Last year's price war among supermarket giants drew customers away from local stores in droves. Doorstep milk deliveries fell by 12 per cent. Since these outlets account for a large slice of Northern's business, profits across the group barely grew.

For all its efforts to rationalise distribution to smaller stores and franchise milk rounds, this year will be equally tough if food prices continue to fall. In addition to declining volumes on the non-supermarket side, Northern will have to fight its corner on margins with the supermarkets themselves. Grabbing a decent share of the wholesale milk market once it is open to competition would help cement Northern's position in this area. But the immediate impact on profits is unlikely to be great.

While the earnings outlook is dull, Northern continues to generate cash. Financing modest acquisitions would present no problem even though capital spending is running well ahead of depreciation. Yet for the moment the equity market is more interested in recovery stories than other virtues. The shares stand at little more than half 1991's rights price. If the equity market is not prepared to value fully a cash generative and strategically well-positioned company, others in the food industry may be tempted to step in.

London International

Mr Nick Hodges of London International is almost certainly right to claim that the group had to dispose of its photo-processing business if it was not to end up disposing of itself. But the restructuring announced yesterday is not necessarily the end of the story. Even after the rights issue, gearing will be nearly 80 per cent and LIG has little chance of trading its way out of debt. It will have to sell some more peripheral businesses, but to avoid earnings dilution it will have to find buyers willing to pay reasonably full prices.

LIG's other task is to raise the return on its condom business which had a disappointing year thanks to a catalogue of difficulties such as destocking by Italian pharmacies. It is unlikely to meet its target of a 15 per cent margin for a year or two, but there is a chance its new polyurethane condom could unlock both higher margins and increasing market share. In that case LIG should easily manage earnings of around 8p by 1996-97 and its shares look good value at yesterday's closing ex-rights price of 80p.

Equally, if the current management falls short of its margin target, the strength of LIG's Durex brand and its surgical gloves business may tempt someone else to have a go. The photo-processing business was a trap for any unwary predator. Now it is gone, LIG is more vulnerable. Based on the current market valuation and including debt, LIG would still be worth only around 1.2 times sales after the restructuring. That looks affordable even to a predator willing to pay a substantial premium for control.

Lloyds/C&G

Yesterday's High Court judgment puts a formidable obstacle in the way of Lloyds Bank's bid for Cheltenham & Gloucester. Though ordinary depositors can receive bonus payments regardless of their length of membership, share account bolders of less than two years' standing cannot. Without their vote the requisite majority would almost certainly be unattainable. Since the two parties remain confident of their legal ground, the obvious route is to appeal. It is difficult to conceive of alternative inducements, especially since the judgment made no distinction between cash and paper.

The new uncertainty threatens the 5 per cent out-performance of Lloyds' shares against the sector since the deal was announced. After its abortive bid for Midland, Lloyds cannot let C&G slip through its fingers without being thrown right back into a strategic impasse. The tragedy for the bank is that the judgment appears to rest on a quirk in the wording of the law. More generally it is a forceful reminder that the playing field is uneven. These problems do not arise in cases where building societies are transforming themselves into banks. Yet that creates just as much risk of deposits switching from society to society in search of inducements. There is ever more urgent need for full public debate before the law is redrafted.

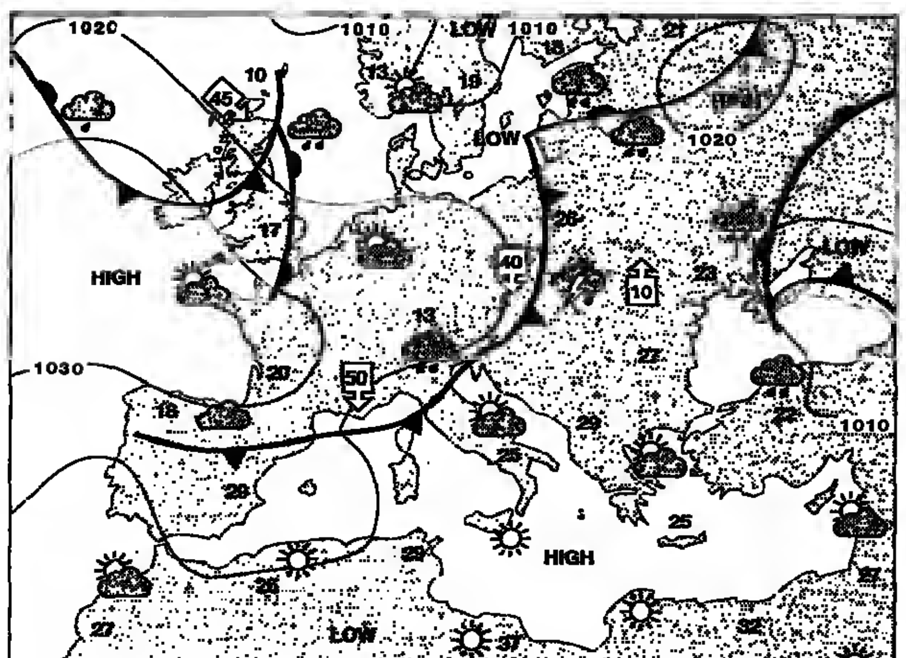
FT WEATHER GUIDE

Europe today

Rain cloud and thunder showers will form near a boundary separating cooler air in western Europe from warm conditions in the east. Heaviest rain will fall in the eastern Alps, Poland, and the Baltic States. Cloud with outbreaks of rain will flow towards Belgium and north-western France. Further west, conditions will be cloudy and unseasonably cool in the Netherlands, western Germany and eastern France. Strong north-easterly winds will blow in the French Alps and along the French Riviera. Southern Europe will be dry and sunny except for northern Italy where showers are possible. Scattered showers will also form near the Black Sea, while conditions in Greece will be sunny.

Five-day forecast

Unsettled conditions will persist over Scandinavia. Cool and unstable air will spread over north-western Europe with showers in the Low Countries and Germany, especially on Friday. Showers will fall in the Mediterranean near Italy. Elsewhere in southern countries conditions will remain sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	31	Caracas	cloudy	26	Faro	sun	29	Madrid	sun	31	Rangoon	rain	30
	Celsius		Belfast	rain	18	Cardiff	cloudy	17	Frankfurt	rain	20	Majorca	fair	27	Reykjavik	fair	10
Abu Dhabi	fair	43	Belgrade	sun	30	Casablanca	fair	27	Geneva	sun	15	Malta	fair	27	Rio	cloudy	28
Accra	shower	31	Berlin	rain	15	Chicago	cloudy	25	Gibraltar	fair	24	Manchester	cloudy	14	Rome	shower	25
Algiers	sun	26	Bermuda	cloudy	29	Cologne	fair	18	Glasgow	rain	14	Manila	fair	32	S. Frsco	fair	24
Amsterdam	cloudy	14	Bogota	rain	18	Dakar	sun	27	Hamburg	fair	16	Melbourne	fair	12	Seoul	fair	27
Athens	sun	26	Bombay	rain	32	Dallas	sun	35	Helsinki	fair	19	Mexico City	fair	24	Singapore	fair	32
Atlanta	thund	32	Brussels	cloudy	18	Delhi	fair	43	Hong Kong	rain	29	Miami	cloudy	33	Stockholm	rain	14
B. Aires	fair	13	Budapest	fair	29	Dubai	fair	39	Honolulu	cloudy	31	Milan	shower	21	Strasbourg	fair	18
B.ham	fair	17	C.hagen	shower	17	Dublin	fair	18	Istanbul	fair	23	Montreal	fair	21	Sydney	fair	18
Bangkok	thund	34	Cairo	sun	32	Dubrovnik	fair	28	Jakarta	fair	31	Moscow	fair	23	Tangier	windy	29
Barcelona	sun	24	Cape Town	fair	17	Edinburgh	drzzl	17	Jersey	fair	15	Munich	rain	14	Tel Aviv	sun	28
									Karachi	fair	35	Nairobi	fair	25	Tokyo	fair	25
									Kuwait	sun	44	Naples	sun	27	Toronto	sun	22
									L. Angeles	sun	23	Nassau	fair	31	Vancouver	fair	20
									Las Palmas	fair	28	New York	sun	28	Venice	rain	23
									Lima	sun	20	Nice	sun	24	Vienna	rain	21
									Lisbon	fair	32	Nicosia	fair	32	Warsaw	thund	28
									London	fair	18	Oslo	fair	21	Washington	sun	28
									Lux.bourg	fair	17	Paris	cloudy	20	Wellington	cloudy	13
									Lyon	sun	18	Perth	fair	14	Winnipeg	rain	23
									Madeira	fair	25	Prague	thund	13	Zurich	cloudy	17

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday June 9 1994

IN BRIEF

Daimler-Benz to raise DM3bn

Shareholders in Daimler-Benz, the German cars-to-aerospace group, will be offered shares in the rights issue at DM640 a share, a discount of 20 per cent to last night's closing price of DM804.50. The issue will raise just under DM3bn ($1.8bn) for Daimler-Benz, making it the biggest rights issue by a German company. Page 18

Eni swings back into profit
Eni, the Italian state oil concern, swung back into profit in 1993 after 18 months restructuring. Mr Franco Bernabè, chief executive, anticipated a further strengthening of Eni's profits during the current year. Page 18

LIN Broadcasting to spin off TV station
LIN Broadcasting, the cellular telephone company in which McCaw Cellular Communications owns a 52 per cent stake, is to spin off LIN Television, its TV station business, to shareholders in a tax-free distribution of shares. Page 19

Sumitomo details non-performing loans
Sumitomo Life Insurance Corporation, Japan's third largest life insurer, has indicated that about half of the Y1,400bn ($13.2bn) it has advanced in loans may be non-performing. The news comes as company sources say that the chairman will resign. Page 20

Battle for RWE heats up
A struggle for effective control of RWE, Germany's largest utility group, could intensify after the appointment today of a new chairman. Mr Dietmar Kuhnt, chairman of RWE Energie, a subsidiary of the group, will succeed Mr Friedhelm Gieske, who will formally retire next January. Page 20

Ford aims for a tiny niche
Ford, the US carmaker, has approved the development of a new small car aimed at taking it into a segment of the European market below the supermini class. Page 20

Enterprise details logic for Lasmo
Enterprise Oil has written to shareholders in rival UK explorer Lasmo setting out the logic behind its bid. The document comes two days before Lasmo is expected announce an independent valuation of its assets. Page 22; Lex, Page 16

Hambros lifts payout on 44% rise
Hambros, the UK merchant bank and financial services group, has announced a 44 per cent rise in pre-tax profits to £90.5m ($137m) for the year ended March 31, 1994, after a sharp drop in loan loss provisions and improvement in the retail financial services division.

Racal promises improvement
Racal Electronics, the UK data communications, radio and network services group, has reported an expected fall in full-year pre-tax profits – from £47.7m to £26.4m ($39.9m) – but promised "a very substantial" improvement this year. Page 23

Greencore increases 15%
Greencore, the Irish sugar, malting and and milling group, reported a 15 per cent rise in pre-tax profits. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	645	+	20
DLW	498	+	13
Didier Werke	172.5	+	9.5
GEHE	605	+	24.5
Falls			
Beiersdorf	855	–	16
Porsche	780	–	15
NEW YORK ($)			
Falls			
Compaq	35⅜	–	1⅛
Foodmaker	5⅜	–	⅞
Lotus Dev	55	–	2⅝
Merisel	10⅜	–	6⅛
Micron Tech	32¼	–	1⅞
Texas Insts	41⅜	–	2¼
PARIS (FFr)			
Rises			
Bancaire Cie	887	+	20
Elf Aq Cert	358	+	12
Elf Sanofi	890	+	28
Suez	315.5	+	7
Falls			
Bouygues	644	–	16
Lyon-Dumez	551	–	13
TOKYO (Yen)			
Rises			
Brother Ind	743	+	19
Calsonic	646	+	18
Citizen Wtch	960	+	23
Toshiba Mach	678	+	22
Yashkawa Elec	538	+	23
Falls			
Koito Manf	863	–	20

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
BAT Inds	447	+	14
Cadbury Sch	472	+	15
Chiltern Radio	238	+	33
Daily Mail A	1213	+	33
Davenport Vern	188	+	45
Eastern Elect	602	+	12
Electrocomps	497	+	12
GKN	603	+	12
Hewitt Wing	53	+	9
Meyer Intl	459	+	18
Pearson	637	+	17
Racal	248	+	10
Scottish Radio	585	+	20
Falls			
Bilton	160	–	14
Caityns	365	–	40
Chemring	312	–	12
Evans Halshaw	484	–	31
Hambros	305	–	8
Intercare	71	–	8
London Inf	90½	–	8½
OEM	32	–	5

Investors may block UAL plan

By Richard Tomkins in New York

United Airlines, the biggest carrier in the US, faces the threat of a shareholder revolt over its plans to give employees a 55 per cent controlling stake in the company in exchange for labour concessions.

One of the company's biggest institutional investors, the Pennsylvania-based Vanguard/Windsor Funds, yesterday said the proposal was against shareholders' interests and it would vote against it. The fund speaks for nearly 10 per cent of United's shares.

A defeat of the employee ownership plan would be devastating for United. The airline's strategy for fighting back against competition from low-cost carriers such as Southwest Airlines depends on the labour concessions it will produce.

If the plan collapses, United is likely to axe hundreds of unprofitable short-haul domestic routes and start contracting out services such as catering and maintenance. The heavy job losses that would result could provoka a head-on confrontation with the airline's powerful labour unions.

Under the plan drawn up last year, employees were to swap $4.9bn worth of labour concessions over the next 12 years for between 53 and 63 per cent of United's shares, depending on how the share price performed.

United said the plan was the best hope for the airline's future, but some shareholders were concerned that if employees gained control of the company, they would put their own interests ahead of other shareholders.

That concern grew when United gave in to pressure from the pilots' union last month and lifted the employees' initial stake to 55 per cent to compensate them for a decline in the share price. Vanguard/Windsor Funds said yesterday the move was "the last straw".

Other big shareholders in the company – Alliance Capital Management, Fidelity Investments and Sanford C. Bernstein – declined to say which way they would vote. Alliance, which holds a 12 per cent stake, has previously backed the plan, but Vanguard/Windsor's move could encourage others to revolt.

A similar move by shareholders in Kmart, the US discount store group, resulted in defeat for management when it put a reorganisation to the vote last week.

United said yesterday it firmly believed the transaction was in shareholders' best toterests. The plan, awaiting approval by the Securities and Exchange Commission, is expected to go the vote this month or early in July.

■ FFr13bn restructuring agreed ■ Falls in attendances and customer spending

Euro Disney prices rights issue at FFr10

By Alice Rawsthorn in Paris

Euro Disney, the leisure group, has secured shareholders' agreement for a FFr13bn ($2.3bn) emergency financial restructuring package and announced details of FFr6bn rights issne offering seven new shares at FFr10 each for every two existing shares.

The company's share price fell FFr3.50 to FFr33 immediately after the announcement, which was accompanied by news of a decline in attendance and expenditura at the EuroDisneyland theme park in the first half of the year. The shares recovered to close 90 centimes down at FFr35.60.

The rights issue, which marked the final stage of Euro Disney's intricate rescue negotiations, was priced at the upper end of expectations. Observers had anticipated a price of between FFr5 and FFr10 until last week's deal when Prince al-Waleed bin Talal, the Saudi investor, offered to sub-underwrite the issue.

"Prince al-Waleed's arrival on the scene must have made Euro Disney more confident in its pricing," said Ms Rebecca Winnington-Ingram, analyst at Morgan Stanley.

The size of the prince's eventual stake will be determined by investors' response to the rights issue. He has offered to buy any surplus shares left after the issue and is entitled to acquire up to 13 per cent from Walt Disney, the US group which owns 49 per cent of Euro Disney. However, his eventual stake must be under 24.5 per cent.

Euro Disney, which last month reported a reduced net loss of FFr1.06bn for the six months to March 31, from FFr4.34bn, yesterday cautioned that trading conditions had been difficult so far this year.

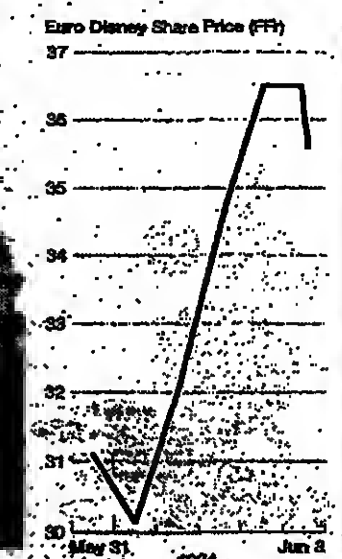
Mr Philippe Bourguignon, chairman, said the group anticipate a reduced loss for the second half. However last year's FFr5.3bn net loss was inflated by restructuring costs. Attendance at EuroDisneyland fell 6 per cent to 3.13m in the first half of this financial year and expenditure per guest was 7 per cent lower at FFr229.

The declines reflected the pressures of the European recession and the French franc's strength against the pound, lire and peseta. These problems have persisted into the second half.

Euro Disney does not expect to move back into profit at least until 1995-96. This prompted the Commission des Opérations de Bourse, the French stock market watchdog, to inclnde a routine warning in the rights issue prospectus.

The rescued and one of the rescuers

Philippe Bourguignon: looking to a reduced loss



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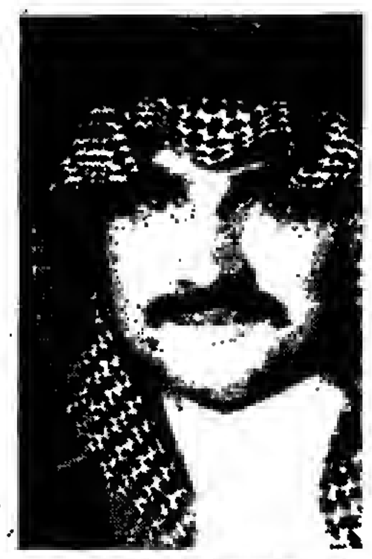


Prince al-Waleed bin Talal: promised cash injection on June 1

US investor group selected to buy Heron

By Maggie Urry in London and Richard Waters in New York

A group of investors led by Mr Steven Green, the US businessman, was yesterday selected by Heron International as the preferred buyer of Mr Gerald Ronson's property company. The bid from HNV Acquisition would give Mr Ronson and the Heron management team a continuing role.

Mr Green, chairman of Astrum International, the US company which owns the Samsonite brand, and of Auburndale Properties, said yesterday that he planned to retain the group's assets and to develop it into a larger European property company.

HNV is a limited partnership and includes as investors Mr Rupert Murdoch, chairman of News International, Mr Terry Semel, chairman of Warner Brothers, Mr Craig McCaw, chairman of McCaw Cellular Communications, and trusts of Mr Michael Milken's family.

Mr Green invested in Heron bonds a year ago. He believes Heron's problems stem not from its selection of properties but from the impact of recession on asset values.

"The exact role that Mr Ronson and his team would play is not structured, but I would hope we will have an opportunity to deal with them and to use their knowledge and their expertise on these assets. I would look to a relationship that would be longer than an interim basis," he said.

Heron had been in talks with a short list of six bidders, but the offer from Mr Green's group was understood to be the highest.

Although yet to be finalised, the offer from HNV will enable lenders to the Heron group to convert their debt into equity. A cash alternative will give an exit for other lenders, and HNV will take a majority of the equity.

Lenders expect to receive offers reflecting the last prices at which the gronp's debt and equity traded. That would give holders of senior debt around 45p in the pound.

Heron is reckoned to have asset backing of 70p in the pound for its £300m ($450m) of senior debt, although in a receivership senior lenders might expect to get 30p. Junior bondholders might expect to be offered around 6p in the pound, while equity holders have seen their shares quoted at around 1½p.

HNV is being advised by Swiss Bank Corporation, while Heron's adviser is UBS.

Companies win time on share options

By Richard Waters in New York

US companies bave gained a breathing space in their figbt against proposed rules whicb would force them to take executives' stock options as a cost against profits.

The planned accounting rules have provoked a fierce reaction from politicians and the American Stock Exchange, as well as from small and fast-growing companies.

Under a draft issued for comment last summer, the Financial Accounting Standards Board proposed that the cost of stock options granted to executives sbould be taken as an expense against profits, and that companies should disclose more iuformation about the options. Part of tbe changes were originally intended to come into force at the end of this year.

In a statement yesterday apparently attended to mollify opponents, Mr Dennis Berisford, chairman of the FASB, said: "All the provisions of the exposure draft, including expense recognition and measurement, will be reconsidered by the board."

Smaller companies bave objected that because they are unable to match the large salaries and casb bonuses paid by large companies, they seek to attract talented executives by issuing options. These give the bolder the opportunity to make big capital gains. If taken as an expense, these would add substantially to the reported costs of many US companies.

Earlier this week, the American Stock Exchange pnblished the results of a survey of companies. Some 75 per cent said the rules wonld harm their balance sheets and 40 per cent said they would be forced to restrict or discontinue their stock option plans.

"A lot of onr companies are small, growth companies who nse stock options as a way to attract talent," the exchange said.

Ms Diana Willis, FASB project manager for the stock option rules, said yesterday that the delay did not imply that the board was backtracking on the original proposals. The board always reconsidered all rules after receiving comments from interested parties, and the complexity of the project accounted for tbe delay.

The reconsideration of the draft rules was "not expected to be completed before the first quarter of 1995", the board said.

Andrew Jack looks at annual fee income and the rise and rise of a humble junior

Andersen ascends the UK accountancy ladder

There is one clear trend that stands out in the annual fee income results of the UK's largest accountancy firms published this week: the ascendancy of Andersen.

Two years ago, Andersen – comprising Arthur Andersen and Andersen Consulting – was a humble junior, a clear number six among the "Big Six" firms with income of £331m ($500m). In its latest results for the year to March 31 it has jumped to number three at £434m.

The leap up the league table is nothing new. Ten years ago Andersen was merely the ninth largest firm in the UK. Whila most of its rivals have reported absolute declines or modest growth during the recessionary last three years, it has continued to report double-digit increases.

At the other end of the scale, the latest fee income figures do not look impressive for Touche Ross. Ernst & Young was edged down to fourth place by Andersen, in turn pushing down Price Waterhouse to fifth. Both reported modest growth.

But Touche did more than simply slide down because of pressure from above. It reported an absolute decline in fee income of 0.8 per cent to £333m. The result says much about the end of the counter-cyclical income the firms have generated from insolvency work during the recession.

In the briefest of the statements from the six firms when they published their results on Monday, Mr John Roques, Touche's senior partner, said simply: "I am pleased that we hava approximately maintained revenues during the last year."

Mr George Westropp, a partner with the firm, says the decline is a readjustment following the enormous growth generated by a number of insolvency assignments: notably the administration of Polly Peck International and the liquidation of the Bank of Credit and Commerce International. The big fees on these jobs have now ended, and there is little prospect of anything filling the gaps.

"BCCI was the largest professional assignment anywhere in the world ever," he says. The most recent report last month showed it had generated £120m for Touche, much of which was not shown as insolvency income but spread across its accounting and consulting divisions.

Rivals claim Andersen is in a different market

Of course, what the fee income figures leave unanswered is the underlying profitability of the firms. At a dinner for finance directors hosted by Arthur Andersen last month, one guest got short shrift when he suggested that as a purchaser interested in the health of his suppliers, he should be able to examine the firm's accounts.

The response from the Andersen partner – echoed by all his counterparts at the other firms – was that accountancy practices are partnerships, and are therefore not bound by the legal requirements of companies to make this information public.

So while Tonche Ross may seem to have suffered on its top line, the bottom line may well remain healthy. Certainly the firm has cut overheads substantially, and its revenues per partner place it second in the league after Andersen at £973,000. "Profits are consistent," is all Mr Westropp will say.

However, in a profession dominated by firms with their origins in the UK, Andersen has achieved a remarkable feat. It was a usurper, founded in 1913 in Chicago by a former Price Waterhouse trainee. It began from scratch in the UK only in 1956.

Much of its more recent growth has been on the back of Andersen Consulting, the firm's computer services and facilities management arm. That has led to sniping from some rival firms, which claim Andersen is in a different market, invalidating comparisons of the figures.

"Methinks they protest too much," says Mr Keith Burgess, head of Andersen's consulting arm. "We are in the business of providing professional services to our clients. Anybody who believes that what firms delivered 50 years ago is still right today may help explain one of the reasons for UK's economic decline."

One thing seems certain: Andersen's UK ambitious are not yet complete. The firm is currently in negotiations with most of the regional partnerships within BDO Binder Hamlyn, the eighth largest firm, for a merger to be ratified in July. Adding in that income, Andersen is likely to become number two next year.

Daimler-Benz sets rights issue price at DM640

By David Waller in Frankfurt

Shareholders in Daimler-Benz will be offered shares in the long-awaited rights issue at DM640 a share, a discount of 20 per cent to last night'e closing price of DM804.50, the German cars-to-aerospace group announced yesterday.

The issue will raise just under DM3bn ($1.8bn) for Daimler-Benz, making it the biggest rights issue by a German company. The subscription period for the new shares will be from June 20 to July 5.

The global co-ordinator to the issue is to be Deutsche Bank, the largest shareholder in Daimler with a 24.4 per cent stake. Senior underwriters are Dresdner Bank and Commerzbank, with Goldman Sachs and Merrill Lynch.

Daimler said rights not taken np by existing shareholders would be placed with international investors. Daimler is the only German company to have a full listing for its shares on the New York Stock Exchange. Mr Gerhard Liener, Daimler finance director, has said he wants to use the issue to raise the percentage of Daimler shares owned by US investors, from the current 7 per cent.

It is understood that Deutsche Bank will maintain its shareholding at its current level by taking up its rights to new shares.

Other large shareholders include the government of Kuwait, which is thonght likely to maintain its 14 per cent stake, and Stella, a holding company owned by large German industrial and financial companies which owns 12.6 per cent.

Daimler said the cash proceeds of the issue would be used for general corporate purposes, developing its operating activities and financing working capital requirements.

Daimler reported losses of DM1.8hn last year, hut is expected to return to the black this year.

Kone advances despite sales fall

By Christopher Brown-Humes in Stockholm

Profits at Kone, the Finnish elevators group, rose 15.6 per cent in the first four months as lower financing costs offset a sharp drop in sales and sluggish markets.

The results, showing profits after financial items rising to FM74m ($13.4m) from FM64m, reflect the impact of the group's refocusing programme and weak demand in Europe, which accounts for 80 per cent of turnover. New elevator deliveries were lower than a year ago and maintenance business was static.

The group said there was no sign of a revival in European elevator demand. It looked for growth from non-European markets and a steady development of maintenance and modernisation business.

Disposals and the difficult elevator market explain the 30 per cent drop in sales to FM2.5hn from FM3.6bn. The company has sold MacGregor-Navire, a supplier of shipboard cargo handling equipment, and Kone Cranes, as part of a focus on its main lift operations. Operating profits sank to FM85m from FM123m.

The disposals helped cut interest-bearing net deht to FM500m at the end of April from FM1bn at the end of 1993, reducing financing costs to FM20m from FM70m. The company wants to sell its remaining non-core activities and last week announced plans to divest Kone Wood, e supplier of wood-handling equipment.

Kone's majority owner, the Herlin family, last month rejected an offer from Germany's Thyssen group for its entire shareholding. The family controls about 40 per cent of Kone's capital and 70 per cent of the votes.

Swedish insurer turns in 15% rise

By Christopher Brown-Humes in Stockholm

Trygg-Hansa SPP, the Swedish insurer, recorded a SKr600m ($75.9m) operating profit in the first four months of the year, up 15 per cent from a year ago.

The performance continnes the 1993 recovery, when the group achieved a SKr1.72bn operating profit after a SKr5.2bn deficit a year earlier.

However, the gronp sustained beavy losses after investing in Gota AB, two collapsed credit insurers, and Home Holdings, the US insurance group.

● Perstorp, the Swedish speciality chemicals and plastics group, advanced 83 per cent in the eight months to April 1994. Profits after financial items rose to SKr385m ($48.7m) from SKr210m in the same period a year ago, writes Hugh Carnegy in Stockholm.

The company said it expected full-year profits to reach SKr500m-SKr550m, an improvement of about 70 per cent over its last September-August fiscal year. The large profits increase was achieved despite a comparatively modest 18 per cent rise in sales to SKr6.76bn, compared with SKr5.7bn.

Perstorp said it had been hit by increases in raw material prices which it had heen unable to pass on. Nevertheless, rationalisation during the previous year had yielded higher margins which, combined with penetration of new markets and the introduction of products, had boosted profits.

Perstorp said its three biggest divisions – surface materials, components and speciality chemicals – had achieved the biggest sales and earnings increases in the company.

It added that its Biotec division had opened sales offices in the Ukraine and China where the big agriculture industries offered attractive markets.

Skanska acquisitions double US presence

By Hugh Carnegy in Stockholm

Skanska, the Swadish construction and real estate group, has acquired Beers Construction Company, a leading building company in the south-east US, and CPI, a technical company based near New York. The acquisitions will double the size of Skanska's US operations.

The announcement comes within a week of a declaration by Mr Melker Schörling, chief exechtive, that Skanska intended to increase its non-Swedish operations to about 40 per cent of group revenue following a slump in its home market which led to losses in 1992. Last year, foreign business accounted for 23 per cent of the gronp'e SKr28.9bn ($3.7bn) sales.

Skanska did not disclose the price of Beers and CPI.

"Skanska is already a market leader in the New York area," Mr Schörling said. "With the acquisition of Beers we now hold a similar position in the growth areas of the south-east. By purchasing CPI we are simultaneonsly supplementing our resources with increased technical competence, making us a full-service organisation in the US."

Beers specialises in building hospitals, schools, industrial buildings and sports facilities.

UK food price war warning

Northern Foods, the UK dairy and foods manufacturer, said yesterday that the fall in UK food prices – caused by the supermarket price war – was set to continue, writes Tony Jackson in London.

Mr Christopber Haskins, chairman, reporting a small improvement in full-year pretax profits to £157.2m ($236.5m), said: "In the short term, I can see no let-up in price deflation. I suspect low inflation will be an element in the food industry for the foreseeable future."

Lex, Page 16

SME ahead at L131bn for year

By Andrew Hill in Milan

SME, the Italian retail and catering group which the government is trying to privatise, increased group net profits last year to L131.6bn ($81.3m) from L127.2bn.

Iri, the Italian state holding company, owns 62 per cent of SME.

Iri has already sold off its interests in the group's food activities, including its main subsidiary Cirio Bertolli De Rica (CBD), but has yet to find buyers for its GS supermarket chain and its fast-food and motorway restaurants.

In the last few weeks, Mr Sergio Cragnotti, the controversial Italian financier, has taken control of CBD from Fisvi, the Apulia farm co-operative.

Excluding food activities, SME'e turnover increased from L3,824bn to L4,067bn. Retailing sales improved by 6 per cent to L2,782bn, and there was a 9 per cent increase in restaurant and catering turnover to L1,210bn.

The parent company pushed up profits to L131.9bn, against L93.2bn, to propose an unchanged dividend of L110 a share.

The company said that the increase in parent company profit was due to a strong increase in operating profits, and unspecified extraordinary gains from the sale of smaller subsidiaries.

Net cash increased by L42.6bn to L132.6bn.

A consortium headed by Rinascente, the Italian retail chain, is reported to be favourite to buy the GS chain.

However, there is speculation about the future of the motorway and fast-food restaurants. Candidates as diverse as McDonalds, the US fast-food group, and Forte, the UK catering and hotels company, could be interested, it has been suggested.

Eni savours the taste of freedom

Franco Bernabè outlines plans to Robert Graham and Andrew Hill

Eni, the Italian state oil concern, swung back into profit in 1993 after 18 months of restructuring.

The switch to last year's L419bn ($259m) profit from a 1992 loss of L815bn was due to an improved industrial performance, cost savings and asset sales of L1,700bn.

Mr Franco Bernabè, chief executive, said he anticipated a further strengthening of Eni's profits during the year. The group was on course for privatisation but the decision on how to proceed with the sell-off was in the hands of the Berlusconi government, he added.

These are the first full year'e accounts under Mr Bernabè's management. He has been at the helm during an exceptionally difficult period when Eni's activities have been placed under the microscope by anti-corruption magistrates.

Last year saw the arrest on corruption charges of Mr Gabriele Cagliari, Eni's chairman, who committed suicide in prison, as well as the chief executives of all the main operating companies – Nuovo Pignone (gas turbines), Agip (oil and gas exploration/production), Saipem (pipelines) and Snam (gas marketing/distribution).

Mr Bernabè observed drily: "One of the reasons why we have been able to achieve better results is that we have been able to operate without political interference. We have been able to manage our business on commercial criteria."

In spite of difficult conditions and lower crude oil prices, gross earnings rose 8 per cent to a record L53,000bn from L49,800bn. Operating profits rose to L11,300hn from L9,800bn.

A strong energy sector, which accounts for 90 per cent of activity, helped offset problems in Eni's chemicals and the heavily loss-making fertiliser operations. Mr Bernabè said much attention was devoted to slimming down Eni's base chemicals and fertilisers operations last year.

The inheritance left by the costly merging of Eni's chemicals interests with those of Ferruzzi-Montedison in the now defunct Enimont, transformed into Enichem, had to be dealt with. "We closed five large agro-chemical plants [in Italy]; and we halved capacity, concentrating on plants at Ferrara and Ravenna," he said.

Restructuring of chemicals and fertilisers accounted for the hulk of the L1,400hn extraordinary costs (against the 1992 L1,200bn, adjusted for comparison). Much of the remainder covered closure of Eni's non-ferrous metals operations in Sardinia. The main cost item was payments for redundancy and early retirement.

Eni's payroll dropped during the year to 106,000 from 124,000 and this year will fall to about 95,000.

The principal among 59 asset sales was that of Nuovo Pignone to General Electric, with Eni retaining a 20 per cent stake. Mr Bernabè estimated asset sales would raise L5,800bn between 1992-96 with L1,000bn expected this year. This income has helped cover restructuring costs and hold down net debt.

Eni		
	Lire bn	
	1993	1992
Turnover	53.0	49.8
Gross operating margin	11.3	8.8
Amortisation	6.4	6.4
Financial charges	2.5	2.6
Extraordinary costs	1.4	1.2
Net results	419	(815)
Investment	10.4	10.7
Net financial debt	28.9	28.4
Employees (000)	106.4	124.0

Mr Bernabè is particularly pleased that net debt has fallen by L300bn to L28,900bn after having risen by almost one third between 1989-92. "We are now one year ahead of the agreements with the EU which envisaged a ceiling being fixed on debt at the level pertaining at the end of 1994."

Mr Bernabè has been weeding out the least efficient subsidiaries. As a result, 33 husinesses have heen closed in Italy and 40 overseas. Capital spending has heen trimmed (L10,400bn against L10,700bn) with more emphasis on essential projects such as doubling tha capacity of the pipeline bringing Algerian gas via Tunisia under the Mediterranean.

Savings have been achieved by renegotiating some of Eni's overseas oil and gas operating contracts, notably in Egypt and Libya. Eni is concentrating energy strategy on exploration and production in China (especially the Tarim basin) and central Asian areas of the former Soviet Union, where the group has long cultivated good political contacts.

Eni only became s public joint stock company, with the Treasury as sole shareholder, in August 1992. But since then Mr Bernabè has divided Eni into three groups – energy, grouped round Agip; chemicals; and other activities. "My aim was to reduce Eni from being a loose conglomerate to concentrate on its core activity of energy," he said.

This has almost been achieved. Rothschilds recently completed a pre-privatisation valuation of the group. Mr Bernabè declined to say where this placed Eni among the international oil majors; but he admitted hydrocarbons reserves had traditionally been valued very conservativety and that Eni has an optimal 60/40 mix of oil-to-gas production.

Both the Amato and Ciampi governments pledged to float Agip, as the initiation of Eni's privatisation, but this never materialised. Since Agip is the core operating company, Eni as the holding company has been fighting a discreet battle to ensure it does not end up as an empty shell. The precise fate of Eni as a holding company remains unclear and Mr Bernabè is enigmatic on the issue, clearly anxious to avoid prejudicing the Berlusconi government's opinion.

The impression remains that Mr Bernabè is keen to serve under the new government and that decisions on privatisation will wait until after the sale of INA, the state insurance group which is to be privatised at the end of this month, and Stet, the telecoms holding company which could be sold in the autumn.

INTERNATIONAL COMPANIES AND FINANCE

LIN Broadcasting to spin off TV station business

By Martin Dickson in New York

LIN Broadcasting, the cellular telephone company in which McCaw Cellular Communications owns a 52 per cent stake, is to spin off LIN Television, its TV station business, to shareholders in a tax-free distribution of shares.

The company also announced an agreement to buy WTNH-TV, an affiliate of the ABC network in Connecticut, from Cook Inlet Communications for about $120m in cash and 11.5 per cent of LIN Television common shares.

The two moves, expected to be completed by the end of this year, will create a publicly-quoted company which owns seven television stations affiliated to the three big US broadcasting networks.

Public shareholders would own 42 per cent of LIN Television and McCaw would hold 46 per cent.

The business had pro forma 1993 revennes of $160m and broadcasting cashflow of $80m. Cities served by its stations include Dallas, Texas, Indianapolis, Indiana and Norfolk, Virginia.

Mr Craig McCaw, chairman of both McCaw Cellular and LIN Broadcasting, said television and cellular were two fundamentally different businesses and should be managed separately.

"We believe the spin-off enables LIN Television to continue to do acquisitions like WTNH-TV, and feel there is a substantial opportunity for an independent, highly-focused television business to grow rapidly," he said.

AT&T, the largest US long-distance telephone group, has agreed to buy McCaw, the nation's largest cellular telephone company, for $12bn. The deal, however, is still subject to a prolonged regulatory review.

If that deal goes through, many analysts expect AT&T to buy out minority shareholders in LIN Broadcasting to strengthen its market position in cellular.

US funds buy paper mill debt

By Bernard Simon in Toronto

Several US investment funds have emerged as the biggest creditors of the troubled Gold River newsprint mill in British Columbia, after buying more than half of its C$230m (US$166.6m) debt at a deep discount.

The involvement of the US funds – so-called "vulture funds", because they seek to profit from distressed businesses – has made the future of the mill even more uncertain.

Gold River is one of the most modern paper mills in the world. It has been mothballed since Christmas, when its bankers turned down a proposal by its biggest shareholder, Avenor (formerly Canadian Pacific Forest Products) for short-term funding.

An official at Odyssey Partners of New York, one of the US funds, said the mill was "an excellent piece of equipment" with "a lot of value". He declined to give details of Odyssey's intentions, but indicated that some developments were likely within the next few weeks.

Mr David Toole, Avenor's chief financial officer, said the company had so far had no contact with its new creditors. It is drawing up proposals aimed at restarting the mill. These include securing cheaper and more reliable wood supplies.

Avenor wrote off its entire C$147m investment in Gold River last year. Its eight partners include publishers in the US, UK, Japan and Singapore.

The bank lenders are understood to have received between 19 and 30 cents per dollar of face value for their loans. A leading member of the bank group said: "When the 'vulture capitalists' get involved and you lose the majority of the bank syndicate, it gets to be too much trouble."

Banks which have sold their loans include Toronto-Dominion, Union Bank of Switzerland, and Royal Bank of Canada. TD has been replaced as leader of the creditor group by Coopers & Lybrand, the international accountants.

The removal of Gold River's annual ontpnt of 230,000 tonnes from the market helped other North American newsprint producers impose a 6 per cent to 7 per cent price rise earlier this year. The producers hope to push through a second, similar increase in August.

NTT, Silicon in multimedia link

By Louise Kehoe

Nippon Telegraph and Telephones is planning a trial of interactive multimedia services in Japan using technology supplied by Silicon Graphics, the US computer manufacturer.

The planned system will link consumers, businesses and government ministries to new kinds of information services and computing power, the Japanese telecommunications group said.

"The interactive multimedia services system, in combination with the fibre-optic digital network being introduced by NTT, will serve the expanding needs of a wide range of users," said Mr Masashi Kojima, president of NTT.

The companies said thay had reached a preliminary agreement for Silicon to supply computers and software for the project, which will be the first trial of interactive multimedia services in Asia.

Several trials are already under way, or planned, in the US. Silicon is providing similar technology for a Time Warner interactive TV trial this year.

Brazil eases restriction on mutual equity funds

Brazil's Secnrities and Exchange Commission (CVM) has moved closer to the modernisation of its stock exchanges by allowing non-financial institutions to form and manage mutual equity funds, Reuter reports from São Paulo.

CVM president Mr Thomas Tosta de Sa said: "We want to make the rules flexible for the stock market in Brazil." He said the measure would be come into effect over the next few days.

"The CVM's board of directors will approve the measure today. It will be effective as soon as the board's decision is published in the government's official gazette," Mr Tosta de Sa said.

He said consultant firms, as well as individuals, would be allowed to form and manage their own equity funds.

According to current stock market rules, only financial institutions are allowed to open stock funds in Brazil. CVM officials said, howaver, that stock custody and distribntion rules would remain unchanged.

"An individnal will be allowed to open an equity fund, but he still needs a financial institution to provide the custody and distribution of the shares for him," Mr Tosta de Sa said.

Orkla suffers fall in spite of improved sales

Orkla, the diversified Norwegian group, reports a dip in pre-tax profits for the first four months, to NKr299m ($54.4m) from NKr303m in the same period last year, writes Karen Fossli in Oslo. The fall came in spite of a NKr902m rise in sales, to NKr6.4bn.

Tha beverage division was the weakest performer, with an operating loss of NKr32m against a profit of NKr10m.

A fall in group operating profit, from to NKr289m from NKr321m, was blamed on expansion and restructuring.

Broking tough man rejoins the fray

The new Alexander & Alexander chief speaks to **Richard Waters**

Mr Frank Zarb has been here before – a broking firm with a long and venerable history, but losing ground to competitors and with little control over its costs. And it is part of an industry without a tradition of strong managemant, where poorly performing firms are quicker to blame market conditions than their own shortcomings.

In 1988, it was stockbroking. This week, it is insurance broking.

Mr Zarb – once head of the Smith Barney stockbroking firm – emerged late on Tuesday as chairman, chief executive and president of Alexander & Alexander, the US-based insurance broker.

For the 59-year-old native of Brooklyn, it will be a challenging eod to a long and varied career. Once a senior partner at Lazard Frères in New York, and a former energy adviser to President Gerald Ford, much of Mr Zarb's career has been spent in the stockbroking industry, where be has gained a reputation as a tough operating manager.

Hired in 1988 by Mr Sanford Weill, head of Primerica (now renamed Travelers), Mr Zarb was behind a turnround at Smith Barney – though much of the recovery was due to the improvement in the stockbroking market after its post-crash lull in the late 1980s.

Investors will be hoping he can work the same magic on Alexander & Alexander. The share price of the insurance broker, the world's second biggest, has languished in recent years, as the company has been battered by a succession of one-off charges, high costs and a weak property/casualty insurance market.

Last year, it revealed its consulting business had been overstating its income by failing to allow sufficiently for fees that would not be recovered.

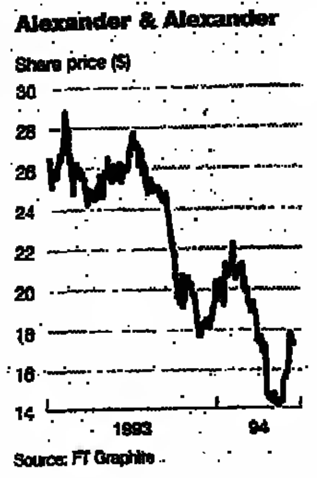
The year before, it took a $145m after-tax charge for liabilities taken on when it acquired the Sphere Drake insurance company during the 1980s.

Alexander & Alexander may have come to look accident-prone in recent years, but its troubles can be traced back to the early 1980s, when it first embarked on an international acquisition spree, buying Alaxander Howden io the UK and Reed Stenhouse in Canada.

"They grew too fast," says one person close to the company. "They developed a certain amount of feudalism: differeot parts worked in diffarant diractions." One result was a lack of control over costs. The company was also rocked during the 1980s by fraud-related losses at Alexander Howden, tbe Lloyd's broker.

By January, the depth of the problems became clear. Mr Tinsely Irvin was replaced as chairman. At the same time, J. P. Morgan and CS First Boston were hired to find a way of bnttressing the company's finances.

It slipped into loss in the first quarter, losing $15m. By the end of March it was io breach of the terms of a banking facility, further limiting its financial flexibility.



Source: FT Graphite

Options considered in recent months have included an outright sale of the company, the disposal of some of its businesses, and raising additional equity capital.

"Frankly, our goal is to preserve the independence of this fine franchise," said Mr Robert Boni, wbo has served as interim chairman since January. "We strongly believe there are great opportunities here to restore it to its rightful place in the industry."

Help finally came from Mr Maurice Greenburg, a renowned figure in the US property/casualty insurance industry. As head of American International Group (AIG), Mr Greeoburg has established a reputation as a highly astute investor. His decision to invest $200m in A&A already looks well-timed. The terms, which allow AIG to covert its holding into non-voting shares at $17, were agreed in mid-May, when A&A's share price touched bottom at around $14. Yesterday, the shares were trading at $17¼.

With the breathing space granted by the AIG investment, what can Mr Zarb do to turn A&A around?

It seems a fair bet that cutting operating costs will be high on his list. "I don't want to be pious," he says, "but in financial services businesses, you have to run your business so you do well in bad markets. And if you do that, you're going to do terrific in a good market. That is exactly how we ran Smitb Barney."

Mr Boni goes further. "Too much of the brokerage industry excused itself in the past for its deteriorating margins," be says. Now, the pressure is on to find better and more efficieot ways of conducting business.

New technology, better training, re-engineering of processes – all those things will lead to much improved productivity in the industry, he says.

And for A&A brokers who fear tbat tbey will be harangued endlessly by Mr Zarb for not matching up to Smith Barney, there is bope – the new chairman promises he will refrain from making too many comparisons witb tbe stockbroker he ooce headed.

IBM seeks lifting of decree

By Lousie Kehoe in San Francisco

IBM wants to persuade the US courts to lift restrictions on its computer services business, imposed in a 1956 anti-trust consent decree. The decree forces IBM to separate its US "outsourcing" business, which manages computer centres on behalf of customers, from other operations.

IBM lawyers this week discussed the decree with a Naw York Federal judge, but have not filed any motions with the court. The decree arose from a 1952 government complaint alleging IBM had monopolised the market for tabulating machines, the precursor to the electronic computer.

The terms of the decree include orders that IBM must operate its "service bureaux" business as a separate wholly-owned subsidiary, which must pay for IBM computer equipment and software on the same terms as its competitors in the service business.

The decree also restricts IBM in its sales of used computer equipment. It may only acquire used computers when they are traded in or exchanged for credit on new equipment. It must then go through a 60-day listing and remarketing procedure before it can sell tbe equipment.

"We think the decree operates to the disadvantage of customers by artificially raising our costs and preventing us from passing on to our customers the benefits of our integrated operations in marketing, services, manufacturing and development," IBM said.

Surge at network equipment group

Newbridge Networks, the Canadian supplier of bigh-speed data networking equipment, reports fourth-quarter net profits of C$47.3m (US$34.3m), or 59 cents a share, up 85 per cent from C$25.5m or 32 cents a year earlier. Revenues were C$164m, up 63 per cent, writes Robert Gibbens in Montreal.

For the year ended April, net profit was C$157.8m, or C$1.98 a share, against C$60m, or 81 cents, a year earlier. Annual sales were 80 per cent higher at C$552m.

LEGAL NOTICES

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COMPANY NOTICES

INTERNATIONAL COMPANIES AND FINANCE

Sumitomo Life details level of its non-performing loans

By Gerard Baker in Tokyo

Sumitomo Life Insurance Corporation, Japan's third largest life insurer, has indicated that about half of the Y1,400bn ($13.2bn) it has advanced in loans may be non-performing. The news comes as company sources say that its chairman will resign, the latest victim of the country's economic downturn.

The sources said that Mr Yasuhiko Uewama would step down, probably todsy, in acknowledgment of his own responsibility for the company's performance in the last few years.

Sumitomo, which has total assets of Y20,000bn, has a huge exposure to bad debts incurred by its six affiliated non-bank financial institutions.

In the late 1980s, spurred by soaring asset prices in Japan's booming financial markets, Sumitomo Life, under the personal direction of Mr Uewama, advanced Y1,400bn in loans to the affiliates, mainly mortgage and lending companies.

The company has indicated that around half of the total loans advanced are now non-performing, a staggeringly high total even by the standards of Japan's recent financial excesses.

All of Japan's leading life insurers, which are dne to report their annual results today, have been severely hit in recent years by falling asset values, such as equities. Several have seen their profits decline by more than 20 per cent between 1991 and 1993; in Sumitomo's case the figure is 30 per cent.

In the next three years, Sumitomo plans to write off at least Y400bn of the problem loans, s charge that will further hit earnings.

Mr Uewama's resignation is expected to be approved at a directors' meeting on July 5, when the current vice-chairman, Mr Tadaoki Haraguchi, will assume the chairmanship. The new boss will immediately feel the cost of the company's difficulties. Sumitomo Life has decided to cut the remuneration of its directors, eliminating bonuses and reducing salaries by as much as 10 per cent.

Battle for RWE set to intensify

By Judy Dempsey in Berlin

A struggle for effective control of RWE, Germany's largest utility group, could intensify after the appointment today of a new chairman.

Mr Dietmar Kuhnt, chairman of RWE Energie, a subsidiary of the group, will succeed Mr Friedhelm Gieske, who will formally retire next January.

Mr Kuhnt will inherit an anachronistic voting system which gives Germany's 64 municipalities voting powers disproportionate to the size of their holdings.

The municipalities account for 58.9 per cent of the total votes, but bold 29.3 per cent of the share capital.

Mr Gieske had already indirectly supported a group of private investors who in 1992 had attempted, but failed, to abolish the *majority voting powers* of the municipalities.

"If we want to become a truly international company, then we must have a share bolding and voting system which complements our international activities," one RWE shareholder said. Nearly 84 per cent of RWE's capital stock is German-held, and less than 10 per cent is held by foreign investors.

The municipalities have since resisted change and are reported to have opposed Mr Gieske's initial support of Mr Hans-Peter Keitel, the 46-year-old chairman of Hochtief, the construction division of RWE, on the grounds that Mr Keitel might try to reform the voting system, while Mr Kuhnt would *prefer consensus*.

Even though Mr Gieske will no longer be board chairman after next January, the municipalities are aiming to end his influence over RWE by trying to block his nomination to the supervisory board.

The municipalities hold five of the 19 seats on the supervisory board. The board will meet next October to decide if it will recommend Mr Gieske's appointment to RWE's annual general meeting in December. Even if it does, the municipalities' majority vote could prevail, which would postpone any fundamental change in RWE's voting structure.

Volatile markets hit National Mutual

By Nikki Tait in Sydney

National Mntual, the second largest life office in Australia, yesterday announced that its profits after tax in the six months to end-March fell to A$20.6m (US$15.1m), compared with A$112.1m a year earlier.

The company said that performance in the second quarter had suffered from volatility in world equity and currency markets and the upward trend in long-term interest rates. Unrealised investment losses in the period total A$50.1m.

The company is currently a mutual but has mooted the possibility of changing itself into a shareholder-owned company at some stage.

● G. E. Crane, the New South Wales-based metal fabrication and plumbing supplies group, said yesterday that it was buying the Mico Wakefield group of companies in New Zealand for NZ$54.25m (US$32.2m).

The New Zealand company has 28 branches, employs 400 people and has annual sales of about NZ$140m a year.

● Bridge Oil, the Australian oil and gas group which is facing an unsolicited A$294m (US$216m) bid from Parker & Parsley, the Texan oil independent, revealed yesterday that it was in talks with other potential purchasers. P&P's offer is worth 70 cents a share.

Ford plans to develop new range of small car

By Kevin Done, Motor Industry Correspondent

Ford, the US carmaker, has approved the development of a new small car aimed at taking it into a segment of the European market below the supermini class in which it sells its smallest car, the Ford Fiesta.

The company said yesterday that a decision on a production location had not been reached, but it is probable that the new car will be produced at Ford's plant in Valencia, Spain.

Along with its rival volume carmakers, Ford has been intensively studying the potential of the so-called "sub-B" segment of the European car market beneath the B-class superminis such as the Opel/Vauxhall Corsa, the Ford Fiesta, the Renault Clio and the Nissan Micra.

At present this segment is dominated by Fiat of Italy with its Fiat Cinquecento, produced in Poland for west European markets.

Ford showed a concept study for a "sub-B" car, called the Ka, at the Geneva motor show in March.

Mr Alex Trotman, Ford chairman and chief executive, said in an interview with Automotive News, the US motor industry magazine, that the new car range would be launched in the next two to three years.

Other volume carmakers, such as General Motors (Opel in continental Europe and Vauxhall in the UK) and Volkswagen, are expected to follow Ford into the emerging "sub-B" segment of the market.

Ford says its new small car must be capable of carrying four adults as well as some luggage.

Volkswagen bas also announced plans for a cheap small car to be sold for less than DM15,000 ($9,375) from 1996. It will be shorter than the new Polo supermini to be introduced later this year, but it will share many of the Polo's basic components.

Ford's "sub-B" car is expected to be derived from a shortened Fiesta chassis platform.

Premier rises 11% despite tough year

By Mark Suzman in Johannesburg

Premier, the South African food, retail and pharmaceutical retail group, reported an 11 per cent rise in attributable earnings to R259.1m ($72m) for the year to April.

Trading profit rose 45 per cent to R634.7m from R438.9m and after-tax profit increased 33 per cent to R416.9m from R314.5m.

Group turnover jumped to R14.4bn from R10.15bn, a gain of 42 per cent, but the figures are not directly comparable as several subsidiaries have been consolidated for the first time.

A final dividend of 6.5 cents has been declared, bringing the total for the year to 10.5 cents, a rise of 12 per cent on last year's 9.4 cents.

Mr Peter Wrighton, outgoing executive chairman, noted that the results had been achieved during one of the most difficult years in the group's history given the political and socio-economic turmoil in the run-up to April's national elections.

He noted the food and retail sector had been under strain because of the poor trading environment.

However, Mr Wrighton singled out the group's pharmaceutical interests, which had increased its share of turnover to R2.1bn, or 14 per cent on the year from R0.5bn, or 5 per cent, for a "magnificent" performance.

Mr Wrighton said negotiations were under way with several international groups on ties and he expected a deal to be reached with one or more of them "within the year".

He expressed confidence in Premier's future, noting that the company was well placed to take advantage of the new government's planned reconstruction and development programme.

Mr Wrighton will step down at the end of the year.

His replacement as chairman will be Mr Doug Band, formerly chairman of Argus group. Mr Gordon Utian, the deputy managing director, has been promoted to managing director.

Net income increases at SA conglomerate

By Mark Suzman

Rembrandt, the South African tobacco-based conglomerate, managed to shake off the previous year's static performance to report a 10.3 per cent advance in attributable earnings, to 200.9 ceots a share from 182.1 cents, for the 12 months to March.

Net income before tax rose 6.4 per cent to R1.3bn ($361m) from R1.25bn. As a result of a cut in corporate tax the company paid slightly less tax of R408.8m, compared witb R478.1m, while net income after tax rose 19.3 per cent to R924.6m from R774.7m.

The company is one of South Africa's largest and most consistently successful conglomerates. It is controlled by the Rupert family, which also controls Swiss-based tobacco and luxury goods company Richemont.

The group's final dividend is 26.4 cents a share, bringing the total for the year to 43.44 cents, up from 36.2 cents s share.

Rembrandt, which did not release a breakdown of performance by units, dominates the local tobacco industry with a market share of around 80 per cent. This sector normally contributes about 40 per cent to Rembrandt's bottom line.

Growth is expected to continue next year, but analysts warn that a possible increase in excise duties and other tobacco taxes may burt the company.

Following the unbundling of Gencor last year, and Rembrandt's decision to exchange shares in Genbel for further shares in Malbak, Rembrandt has declared its interests in the unbundled companies to be: Gencor, 13.8 per cent; Engen, 6.8 per cent; Sappi, 5.1 per cent; and Malbak, 7 per cent. Only the Gencor interests have been accounted in the results.

INTERNATIONAL CAPITAL MARKETS

Treasuries regain stride after inflation assurance

By Frank McGurty in New York and Graham Bowley in London

US Treasury bonds regained their stride yesterday morning after the chairman of the Federal Reserve said that inflation was showing no signs of acceleration.

By midday, the benchmark 30-year government bond was ⅜ higher at 88⅜, with the yield slipping to 7.22 per cent. At the short end, the two-year note was ⅛ better at 100¼, to yield 5.721 per cent.

After a brief downturn the previous session, bonds resumed their advance across the board. Yesterday, the catalyst was remarks by Mr Alan Greenspan in London. The head of the central bank declined to make any specific forecast on inflation but said "the numbers were clearly restrained".

His comments brought a welcome response from the Treasury market, which marked up the price of bonds across the board in early activity. Towards mid-morning, however, traders were distracted by renewed weakness in the dollar.

GOVERNMENT BONDS

The US currency suffered a further setback against the yen in the foreign exchange markets after Mr Ron Brown, the commerce secretary, said the US would not rule out trade sanctions against Japan, although Washington had no immediate plans to use them. As a result, bonds trimmed their gains, but soon stabilised and began inching forward again.

■ The strength of US bonds helped push German government bond prices higher.

However, further comments from Mr Hans Tietmeyer, president of the Bundesbank, and data showing a slightly higher-than-expected rise in German manufacturing orders in April later unnerved the market and limited further advances.

Mr Tietmeyer said that the German economy was "at the first stage of recovery" and he expected it to grow further.

"Bonds rose quickly in early trading, testing important technical levels," said Mr Peter Kerger, head of futures and options at NatWest Markets in Frankfurt.

He said that the bund future on DTB, the German futures and options exchange, was trading above its counterpart on Liffe, "which is a rare occurrence". He added: "People were taking up positive positions which earlier they had liquidated."

But analysts said that retail investors had still not fully regained their confidence and that selling was still taking place. The September German bund future on Liffe ended up 0.63 point at 92.93.

■ A stronger tone emerged in the UK government bond market yesterday despite data showing a surge in manufacturing output.

Manufacturing output rose by 1.1 per cent in April, almost double the consensus forecast of 0.5 per cent. But analysts said that the underlying trend remained favourable.

Mr Simon Briscoe, UK economist at S.G. Warburg, pointed to the 1.7 per cent risa in engineering output, which ha aaid angurad well for investment and exports.

Mr Peter Fellner, gilt strategist at NatWest Markets, said: "It has been a better day but the market is still nervous and volatile. The general feel in the international bond market has improved and thia has fed through to gilts."

Mr Briscoe said gilts started the day higher, "due to the fact that on reflection the sell-off yesterday looked unjustified and the UK market was weak in isolation. They then climbed higher with strength in continental markets."

Analysts reported overnight buying from investors in east Asia and buying at lower levels yesterday across all maturities. The long gilt future was up $1\frac{7}{16}$ point at $101\frac{15}{16}$ in late trade.

■ French government bonds moved higher yesterday, due mainly to the strength in German and US markets.

Analysts said the cut of five basis points in the Bundesbank's securities repurchase rate to 5.10 per cent provided some relief. Although it was largely in line with expectations, there had been aome concern that the German central bank might set a fixed-rate repo.

Support was also provided by remarks made yesterday by Mr Jean-Claude Trichet, the French central bank governor. He said: "Inflation is under control, thanks to the vigilance of monetary policy and economic fundamentals in France."

Mr Sanjay Joshi, economist at Daiwa Europe, said: "The spread between Germany and France has widened and this has tempted buyers back into the market."

US broker in $33m compensation move

By Frank McGurty in New York

PaineWebber, one of the largest US brokerage houses, is taking the highly unusual step of compensating investors in a government-bond fund for losses suffered in recent weeks.

The firm is to pay $33m to buy back high-risk classes of mortgage-backed securities held by its Short-Term US Government Fund. The fund, which has about $1bn in assets, is managed by Mitchell Hutchins Asset Management, a PaineWebber subsidiary.

Removing the securities from the fund's portfolio would diminish the potential for future volatility and reduced bquidity, PaineWebber said.

The plan would help offset a sharp deterioration in the mutual fund's value since US interest rates began to rise in early February. In the past two months alone, its net asset value dropped 11 cents to $2.30, or about 4.5 per cent.

Much of the downturn reflected the poor performance of the securities in question, known as collateralised mortgage obligations. Such derivatives, which are linked to payments on underlying pools of mortgages, have come under increasing pressure in an atmosphere of climbing rates.

The firm said the securities, mostly acquired over the last year, contributed to 6 cents of the total decline in the fund's net asset value since late April. It said it would inject enough cash into the fund to make up the mortgage-related losses.

PaineWebber is taking the steps as part of an agreement in principle to settle a class action suit filed by some of the fund's investors.

Although the fund was not prohibited from including mortgage-backed securities, the prospectus made clear its managers would eschew sucb volatile financial instruments.

As part of the settlement, PaineWebber would also make direct payments to investors who redeemed their shares after April 28.

Ontario's $1bn global offering meets strong demand

By Conner Middelmann

The Province of Ontario's $1bn of 10-year bonds – its first global offering in the current fiscal year – was launched yesterday and met with strong demand, syndicate officials said.

Offering an indicated yield spread over US Treasuries of 67-70 basis points, the bonds were seen to offer good value and the lead managers reported strong demand from international investors.

"It was very encouraging that we saw not only American demand, but also a good bid from European and Far Eastern institutions," said one syndicate manager. The deal, led by joint bookrunners Goldman Sachs and Salomon Brothers, will be priced today. Dealers expect the yield spread to be at the lower end of the indicated range.

Also in the US dollar sector, Wal-Mart Stores launched a successful issue of $250m five-year bonds via Goldman Sachs. The deal met with strong demand from retail investors, traders said.

"It's one of those great retail-driven blow-out deals," said a syndicate manager at another house. "Wa would have loved to have led it," he added.

INTERNATIONAL BONDS

Priced to yield 32 basis points over Treasuries at the fixed re-offer, the spread tightened in after the issue was freed to trade and ended the day at 30 basis points over Treasuries on the bid price.

In tha D-Mark sector, DM300m of 7⅛ per cent five-year bonds for the Bank of China got off to a slow start. Lead manager Commerzbank said it was confident the paper would get placed over time, aided by the fact that a double taxation agreement between Germany and China enables some investors subject to German taxation to increase their after-tax yield by an additional 15 per cent of the nominal coupon.

However, officials at other banks were more sceptical, arguing that tha deal's 105-basis-point yield pick-up over bunds at the price to investors was unlikely to attract retail demand.

Undaunted by the recent slew of issuance in the Canadian dollar sector, three more borrowers tapped that market, all in the four-year sector: Commerzbank Overseas Finance issued C$150m of bonds via IBJ International, Electricité de France launched C$125m of paper via Paribas Capital Markets, and the Belgian savings bank ASLK-CGER issued C$75m of bonds via Wood Gundy.

The Canadian Mortgage and Housing Corporation is about to add to supply in the Canadian dollar aector, after announcing yesterday that it plans to issue a global bond soon. Dealers said that the deal could emerge as early as today if market conditions remained stable, and were calling for a C$1bn five-year global offering from tha government-guaranteed unit, which sold its first C$1bn global bond last November.

Meanwhile, the European Investment Bank was said to be taking bids for a $500m deal which could also be launched today, traders said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Province of Ontario	1bn	(a)#	(a)R	Jun.2004	0.35R	(a) (7¼%-04)	G.Sachs/Salomon Brothers
Wal-Mart Stores	250	6.875	99.75R	Jun.1999	0.30R	+32 (6¾%-99)	Goldman Sachs Intl.
Corp. Andina de Fomento‡	125	(b)	99.625R	Jun.1999	0.40R	-	Goldman Sachs(Singapore)
D-MARKS							
Bank of China	300	7.125	101.425	Jul.1999	2.50	-	Commerzbank
CANADIAN DOLLARS							
Commerzbank O'seas Fin.(c)	150	8.25	99.65R	Jul.1998	0.225R	+25 (d)	IBJ International
Electricité de France	125	8.25	99.92R	Jul.1998	0.225R	+14 (d)	Paribas Capital Markets
Aslk-Cger Bco	75	8.25	99.75R	Jul.1998	0.225R	+20 (d)	Wood Gundy
ITALIAN LIRE							
Peugeot Finance Intl.(e)	100bn	10.30	100.70	Jul.1999	1.875	-	Credito Italiano
AUSTRALIAN DOLLARS							
Australian Ind. Dev'ment Corp.	100	8.75	100.15	Jul.2004	2.125	-	Hambros Bank
Export Fin. & Insurance Corp.	75	7.00	101.07	Aug.1998	1.25	-	Commonwealth Bk.Australia

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today at 67-70bp over Treasuries. b) 3-mth Libor +⅛%. c) Long 1st coupon. d) Over interpolated yield. e) Callable on 17/7/96 and annually thereafter at par.

São Paulo blows whistle early for the World Cup

By Angus Foster in São Paulo

The adage that football comes before business in Brazil was proven again yesterday when the São Paulo stock exchange announced changes to trading hours during the World Cup.

On the three days later this month when Brazil is playing, the exchange will sacrifice its lunch break in order to stop work two hours earlier than normal, at 2.30pm local time.

"Since the games start at 5pm, people will have time to finish their duties and still watch the matches," said Mr Flavio Guimarães, exchange spokesman.

About 100 of the exchange's 500 staff will remain on duty during the games to man vital services. Stockbroking firms are axpected to follow the exchange's lead and allow workers to stop work early.

Football, Brazil's national passion, often interrupts commerce but it is the first time for 20 years that the exchange has altered its trading routine to accommodate it.

If the team progresses to the later rounds, the exchange may extend the idea. According to one broker, the closer Brazil gets to the final, the less chance there is of persuading peopla to remain at work.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	102.3900	-	8.64	8.88	8.76
Belgium		7.250	04/04	95.8000	+0.670	7.87	8.22	7.48
Canada *		6.500	06/04	86.2500	+0.050	8.58	8.85	8.49
Denmark		7.000	12/04	93.0500	+0.350	7.99	8.39	7.32
France	BTAN	8.000	06/98	104.5000	+0.130	6.86	6.86	8.18
	OAT	5.500	04/04	87.8200	+0.820	7.27	7.48	6.95
Germany		6.750	05/04	96.5900	+0.600	6.95	7.04	6.84
Italy		8.500	01/04	91.4500	+0.330	9.90†	10.07	9.05
Japan	No 119	4.800	06/99	105.1600	-	3.59	3.29	3.29
	No 164	4.100	12/03	99.1170	+0.070	4.23	4.17	3.94
Netherlands		5.750	01/04	91.3600	+0.560	7.01	7.20	6.70
Spain		10.500	10/03	102.9500	+0.250	9.96	10.02	9.66
UK Gilts		6.000	08/99	91-18	+13/32	8.08	8.48	7.81
		8.750	11/04	89-02	+34/32	8.33	8.79	8.21
		9.000	10/08	104-28	+38/32	8.40	8.77	8.33
US Treasury *		7.250	05/04	102-15	+8/32	6.90	7.22	7.34
		6.250	08/23	88-04	+5/32	7.23	7.48	7.53
ECU (French Govt)		8.000	04/04	87.9200	+0.720	7.80	7.96	7.37

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.02	Two year	5.74
Prime rate	7¼	Two month	4.13	Three year	6.05
Broker loan rate	5½	Three month	4.21	Five year	6.47
Fed.funds	4¼	Six month	4.83	10-year	6.91
Fed.funds at intervention	-	One year	5.09	30-year	7.24

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	117.18	117.84	+0.64	118.18	117.06	264,074	64,066
Sep	116.20	116.88	+0.64	117.24	116.14	52,644	71,418
Dec	115.32	116.00	+0.66	116.00	115.32	1,786	8,670

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
116	1.56	-	-	0.59	1.38	-
117	1.00	1.73	-	1.10	1.81	-
118	0.54	1.20	1.28	1.58	2.27	-
119	0.25	0.77	-	2.38	-	-
120	0.10	0.50	-	-	-	-

Est. vol. total, Calls 37,225 Puts 24,571. Previous day's open int., Calls 276,124 Puts 250,714.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	92.36	92.93	+0.66	93.15	92.33	137150	131074
Dec	92.00	92.50	+0.66	92.00	92.00	201	604

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9250	0.94	1.38	1.65	1.84	0.51	0.85	1.22	1.84
9300	0.65	1.10	1.37	1.58	0.72	1.17	1.44	2.08
9350	0.43	0.85	1.13	1.37	1.00	1.42	1.70	2.37

Est. vol. total, Calls 33374 Puts 13148. Previous day's open int., Calls 187808 Puts 186447

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	-	98.28	0.29	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	106.70	107.17	+0.57	107.52	106.48	42062	60106
Dec	106.55	106.12	+0.52	106.15	105.55	62	50

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10700	2.29	2.76	2.12	3.86
10750	2.03	2.56	2.36	3.94
10800	1.80	2.36	2.83	4.24

Est. vol. total, Calls 1006 Puts 543. Previous day's open int., Calls 18443 Puts 15656

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	93.60	94.05	+0.29	94.20	93.69	44,135	94,495
Sep	93.25	93.35	+0.20	93.55	93.14	16,359	44,898

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	102-01	102-31	+1-07	103-09	102-01	2805	19008
Sep	100-19	101-24	+1-08	102-09	100-12	84711	113162

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
101	2-49	3-14	2-01	3-30
102	2-15	2-49	2-31	4-01
103	1-51	2-23	3-03	4-39

Est. vol. total, Calls 3230 Puts 1437. Previous day's open int., Calls 43174 Puts 27422

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	84.36	84.80	+0.48	85.10	84.16	2,317	5,376
Sep	83.82	84.12	+0.46	84.30	83.50	1,243	2,958

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	105-28	106-17	+0-18	106-21	105-28	17,347	116,321
Sep	104-30	105-21	+0-21	105-24	104-29	337,904	277,746
Dec	104-12	105-01	+0-21	105-05	104-12	2,912	3,357

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open Int.
Sep	109.90	-	-	110.49	109.90	2779	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed June 8	Day's change %	Tue June 7	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	122.37	+0.18	122.33	2.27	4.53
2 5-15 years (22)	141.39	+0.73	140.37	2.23	5.66
3 Over 15 years (9)	158.57	+1.05	156.93	2.31	5.25
4 Irredeemables (6)	178.55	-0.30	179.09	1.30	6.36
5 All stocks (61)	139.09	+0.60	138.32	2.28	5.24
Index-linked					
6 Up to 5 years (2)	185.69	+0.11	185.48	0.93	2.53
7 Over 5 years (11)	174.67	+0.39	174.00	1.36	1.69
8 All stocks (13)	174.93	+0.38	174.31	1.31	1.77
Debentures and Loans					
9 Debs & Loans (76)	128.96	+0.53	128.30	2.08	5.27

Yields	Low coupon June 8	Low coupon June 7	Low coupon Yr. ago	Medium coupon June 8	Medium coupon June 7	Medium coupon Yr. ago	High coupon June 8	High coupon June 7	High coupon Yr. ago
5 yrs	8.09	8.17	7.12	8.30	8.39	7.33	8.42	8.50	7.54
15 yrs	8.33	8.44	7.98	8.46	8.58	8.37	8.76	8.89	8.61
20 yrs	8.31	8.38	8.21	8.46	8.58	8.48	8.59	8.69	8.68
Irred.†	8.43	8.40	8.56						

Index-linked	Inflation 5% June 8	Inflation 5% June 7	Inflation 5% Yr. ago	Inflation 10% June 8	Inflation 10% June 7	Inflation 10% Yr. ago
Up to 5 yrs	3.74	3.76	2.96	2.76	2.81	2.25
Over 5 yrs	3.77	3.80	3.57	3.59	3.62	3.39

Debentures and Loans	5 year yield June 8	5 year yield June 7	5 year yield Yr. ago	15 year yield June 8	15 year yield June 7	15 year yield Yr. ago	25 year yield June 8	25 year yield June 7	25 year yield Yr. ago
9 Debs & Loans	8.54	8.71	8.92	8.47	8.57	8.35	8.42	8.47	8.50

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 8	June 7	June 6	June 3	June 2	Yr ago	High*	Low*
Govt. Secs. (UK)	92.92	92.62	93.13	92.92	92.09	95.32	107.04	91.04
Fixed Interest	110.23	110.78	110.71	109.45	109.12	118.89	133.87	109.12

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 7	June 6	June 3	June 2	June 1
Gilt Edged bargains	81.9	92.8	114.7	110.3	100.4
5-day average	100.0	100.8	98.8	102.3	105.7

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts (Lives up to Five Years)						
Treas 10pc Ln 1994‡‡	10.00	-	100	—	102⅛	100
Exch 12¼pc 1994	12.30	4.80	101⅝	—	104⅜	101⅝
Treas 9pc 1994‡‡	8.88	6.12	101⅝	-⅛	103⅛	101⅝
12pc 1995	11.61	6.14	104⅛	-⅛	107⅛	104⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
10pc 2003	8.23	8.52	108⅜	+⅜	127⅛	105⅝
Treas 11½pc 2001-4	10.12	8.77	113⅝	+⅝	129⅜	111¼
Funding 3½pc '99-4	4.75	7.46	73⅝xd	+⅜	88⅜	71⅛
Conversion 9½pc 2004	8.92	8.51	106½	+⅜	125⅛	103⅛
Treas 6¾pc 2004‡‡	7.58	8.72	89	+⅜	105⅛	88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
Index-Linked (b)						
2pc '96 (67.9)	2.73	3.54	198⅜	+¼	203⅝	197⅞
4⅝pc '98‡‡ (135.6)	2.81	3.53	107⅜	+¼	113⅛	106⅛
2½pc '01 (78.3)	3.25	3.64	166⅛	+½	176⅝	164⅛
2½pc '03 (78.8)	3.35	3.67	162⅛	+⅜	173⅝	160⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6⅞ 03	1000	93⅝	93⅝	+⅛	7.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	102⅜	102⅜	+⅛	6.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	92⅜	92¾	+⅛	9.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Enterprise elaborates on logic in Lasmo bid

By Peggy Hollinger

Enterprise Oil yesterday sought to meet criticisms over its £1.3bn bid for rival explorer Lasmo with a letter to the target's shareholders setting out the logic behind both a takeover and the unusually structured all-paper offer.

It comes just two days before Lasmo is expected to announce an independent valuation of its own assets as its final shot in the bid battle. Under takeover rules, Lasmo may release no new information after Friday.

The valuation has been done by DeGolyer & McNaughton, a leading US petroleum consultant. It is likely to show a net asset value per share of substantially more than the offer value of 126p based on last night's 137p close for Lasmo and 391p for Enterprise.

Enterprise's commercial argument, meanwhile, is based on the assumption that the risk and reward profile of exploration/production companies must be smoothed out to ensure a steady return to shareholders.

By combining the two companies, shareholders would see benefits from complementary assets in the North Sea and abroad; greater recovery from the maturing North Sea through joint geological knowledge; an increased potential to swap assets; accelerated exploitation of assets in south east Asia; and a strong balance sheet.

Enterprise also argues that the enlarged company would have improved chances of profitable exploration through the use of Lasmo's facilities in Liverpool Bay.

Enterprise sought to clear up questions over its complicated all paper offer – which comprises 27 A shares with limited dividend rights and 12 warrants for every 80 Lasmo shares. The offer included tradeable warrants, the group said, "to reflect the difference in dividends between the A shares and the Enterprise ordinary shares".

Lasmo rejected Enterprise's commercial arguments as flawed. "I think their statement that we have complementary assets means we have different assets," said Mr Joe Darby, chief executive.

Lasmo said Enterprise was also wrong in claiming it could benefit from Lasmo's Liverpool Bay infrastructure. "They would have the same access and pay the sama tariffs whether or not they owned Lasmo. How is value added here?" asked Mr Rudolf Agnew, chairman.

Lasmo challenged Enterprise to follow its example in valuing the assets behind the all-paper bid. "We have come up with a value for our paper. Tha only way they can prove their offer is fair value is if they do the same," an adviser said.

See Lex

Private broadcaster bids for Chiltern

By Raymond Snoddy

CLT, one of Europe'a largest private broadcasters, yesterday made its first big push into the UK market with a recommended offer for Chiltern, the commercial radio company, in a deal that values the company at £16.9m. Chiltern's shares closed 33p higher at 238p yesterday.

Since the closure of Radio Luxembourg CLT has had little official presence in the UK although it owns 80 per cent of Atlantic 252 which transmits from Ireland to more than 66 per cent of the UK population.

Luxembourg-based CLT, which manages 13 radio stations and eight television stations in continental Europe has been trying to get into the UK for some time.

In the year ending September 30 Chiltern, which broadcasts in the northern Home Counties showed losses of £246,000 on a turnover of £5.8m, and yesterday announced a pre-tax profit of £10,000 on a turnover of £2.7m for the six months to the end of March.

CLT is offering 242p in cash, representing a premium of 18.3 per cent over the Chiltern price at the close of business on June 7. Holders of 15.35 per cent have agreed to accept the offer.

The Daily Mail and General Trust which last week bought a package of radio stocks, including an 18.5 per cent stake in Chiltern, was last night reviewing its position.

Apart from its local licences Chiltern has a 25 per cent stake in Network News (Radio) which provides a 24-hour radio news service to both local stations and Virgin Radio. It also won the Severn Estuary licence, one of five new regional commercial stations which launch in September.

For CLT the Chiltern purchase,if it goes ahead, would fill in large stretches of the UK not reached by Atlantic 252.

Racal dives but bullish on outlook

By Paul Taylor

Racal Electronics, the data communications, radio and network services group, yesterday reported an expected sharp decline in full year pre-tax profits, but promised "a very substantial" improvement in performance this year.

The bullish comments about the outlook prompted a 10p rise in the share price to 248p.

Racal also announced the sale of the remainder of the Racal-Redac computer-aided design business to Japan'e Zuken for £13m in cash.

Pre-tax profits for the year to March 31 fell by 44.7 per cent, from £47.7m to £26.4m, after £19.6m of previously disclosed losses on the disposal or closure of operations and acquisition goodwill written off.

Earnings per share fell to 5.47p (10.24p) and a proposed final dividend of 3.75p makes an unchanged 4.25p total.

Turnover from continuing operations slipped to £887m (£908.9m) and discontinued operations contributed a further £29.1m (£38m). Trading profits from continuing operations declined to £50.1m (£54.3m).

Sir Ernest Harrison, chairman, said the data communications business had been badly affected by the recession in continental Europe and by the late availability of new products from the US operations. Data communications' operating profits fell to £3.49m (£12.6m) on turnover of £373.8m (£370.6m).

However, Sir Ernest predicted that recent events in the division, including the appointment of Mr Martin Richardson to take charge of the business, would improve results.

Specifically, he forecast that in the current year the data communications division would achieve profit margins of "well over 5 per cent on sales of over £400m," and he said margins the following year should increase to more than 7.5 per cent with further revenue growth.

"With this significantly higher profit contribution from data communications coupled with improved performances by radio communications, specialised businesses and defence radar and avionics, the results for the year 1994-95 will show a very substantial improvement."

● **COMMENT**

Once again Racal is promising jam tomorrow. Delivering on the promises depends mostly on revitalising the core data communications business. Mr Richardson plans to cull the product line and identified £10m of savings. Meanwhile, the networks businesses will benefit from the National Lottery traffic even though the real gains from being part of the Camelot consortium will not come through until 1995-96. Racal should report pre-tax profits of about £70m this year, equivalent to earnings of about 15.9p. After yesterday's rise the stock is trading on a prospective p/e of 15.6. Hold.

Daily Mail Trust rises 14% to £24m

By Raymond Snoddy

The Daily Mail and General Trust, yesterday produced pre-tax profits 14 per cent higher at £24m and made an upbeat forecast that it was responding well to "the general improvement in the economy and in the advertising markets in particular."

Trading profits for the half year to April 3 increased by £6.8m to £43.2m before exceptional items. Turnover rose to £368.3m (£329.1m), with the group's three main newspapers, the Daily Mail, Mail on Sunday and the Evening Standard – all with new supplements – performing well, mainly because of increasing advertising revenues.

The Evening Standard'e important classified business grew by 15 per cent.

Northcliffe Newspapers, the company's regional group, also increased profits, although the revenue increase was not consistent across the country.

Mr Derek Terrington, publishing analyst at stockbrokers Kleinwort Benson said yesterday: "Essentially this was a good trading performance on a rising advertising market."

Earnings per share rose from 12.1p to 13p or from 16.8p to 21.2p adjusted before exceptionals.

The interim dividend has been increased by 11 per cent to 4p (3.6p).

The strong performance in the core nawspaper business was not generally mirrored in the company's other media activities.

As already announced, the DMGT faces an up to £20m share for the full year of losses from Whittle Communications and Whittle Schools in the US. One Whittle television network has had to be closed down and there are considerable development costs at Medical News Network. A total of £12.2m will be charged in the accounts.

Development costs will also be incurred setting up Channel One, a new television channel aimed at the cable television market in London.

The company said yesterday that the early losses "should not exceed £40m in total" – £10m lower than earlier speculation.

The shares rose 33p yesterday to close at £12.13p.

● **COMMENT**

The company's main newspaper businesses continna to forge ahead underpinned by a commendable commitment to invest in editorial. The questions begin to arise when the company strays away from print into the electronic media. It was involved in the successful – and profitable – teletext franchise bid, but has tended to come second in a number of commercial radio and television contests. The losses at Whittle flow from a move from print to electronic ommunication. The cable channal is clearly a long-term venture that will hit short-term results. Analysts are looking for about £85m before exceptionals for the full year and a bit over £100m for next year. Next year's forecast of 65p earnings per share would give a 50 per cent premium to the market.

Strong UK sales growth as Electrocomponents rises 40%

By Paul Taylor

Strong UK sales growth helped Electrocomponents, the electronic, electrical and mechanical components distribution group, report a 40 per cent increase in pre-tax profits for the year to March 31.

Profits were £72.7m, against £51.9m after net losses of £7m on disposals. Earnings per share were 22.9p (19.3p) and a proposed final dividend of 7p makes a total of 9.5p (7.9p). The shares closed 12p higher at 487p.

Sir Keith Bright, who steps down after five years as chairman next month, said the results reflected "the start of the climb out of recession in Australia, Ireland and particularly the UK."

Turnover increased by 2.3 per cent to £396.5m (£387.5m). Excluding the effect of the disposal of the lossmaking Misco businesses the previous year, turnover grew by 14 per cent and operating profits increased by 16 per cent to £69.9m (£60.1m).

Sales in RS Components' UK division increased by 12.2 per cent to £279.6p as the group extended its catalogue range and boosted market share.

RS International's sales grew by 35 per cent to £79.9m despite the difficult trading conditions and showed a profit underlining the progress made by the group's expanded continental European operations. Sales at Pact International fell by 3 per cent to £37m giving a £300,000 loss.

The strong cash generation of the RS business in the UK resulted in a £20.6m increase in net cash to £57.4m over the year.

● **COMMENT**

The results were slightly ahead of expectations and serve to highlight the strong performance of the core distribution business in tha UK and the success of the group's focused strategy. The push into overseas markets is continuing with a new joint venture in India and the strengthening of distribution partnerships in Europe, the middle east and east Asia. This overseas expansion, particularly the start-up operations in Europe, should drive earnings forward well into the next decade. Meanwhile the cash balances will be used to support organic growth including a £35m investment over the next two years in a new warehouse in Nuneaton. This year pre-tax profits of about £83m look possible producing earnings of 26p and putting the shares on a deserved multiple of 18.7.

Argent ends first day at premium of 4%

Shares in Argent, the property investor and developer which came to the market in a placing and intermediaries offer, went to a 4 per cent premium on their first day of trading. The turnover yesterday was 1.57m shares.

The shares closed at 266p yesterday, compared with the offer price of 255p. Schroders sponsored the issue of 13.7m shares, which represents 25 per cent of the enlarged share capital.

The flotation raised a net £27.1m for the company, which it will use to take advantage of additional investment and development opportunities. Warburg Pincus, the US venture capitalists, sold 2.2m shares, reducing its holding to 49.8 per cent of the company's share capital.

Framlington seeks $50m for N Africa fund

Framlington, the fund manager, is seeking to raise np to $50m (£33.3m) for an institutional fund investing in Morocco and Tunisia.

The Framlington Maghreb fund, to be listed in Dublin, is being marketed throughont Europe and the US and will close at the end of June.

Framlington and Banque Commerciale du Maroc, Morocco's largest private bank, are partners in the venture, and the International Finance Corporation is also expected to take a stake.

At least two-thirds of the capital will be invested in Morocco, with the balance in Tunisia. The focus is on companies quoted on local stock markats with about 25 per cent of the capital earmarked for pre-flotation finance.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airsprung Furn	fin	3.1	July 29	2.925*	4.8	4.5*
Blick	int	3.5†	Sept 7	3.3	-	10.2
Caffyns	fin	6.5	July 16	6.5	11.5	11.5
Cape	fin	8	Aug 5	7.75	11	10.75
Chemring	int	3.2	July 29	3	-	8
Daily Mail & Gen	int	4	July 15	3.6*	-	14.8*
Davenport Vernon	int	0.5†	Aug 2	1.5	-	4.2
Eldridge Pope §	int	1.5	July 30	1.4	-	3.55
Electrocomps	fin	7	Sept 5	5.9	9.5	7.9
French (Thomas)	int	1.45	Aug 26	1.45	-	3.625
Gartmore Shared	fin	2.4	-	-	4.8	-
Greencore	int	3.7‡	Aug 29	3.3	-	8.8
Hambros	fin	10.5	Aug 22	9.8	15	14
London Intnl	fin	nil	-	8.25	nil	8.45
Melville Street	fin	2.7	Aug 26	2.5	4.2	4
Meyer Intnl	fin	6.6†	Sept 2	5.8	10.8	10
Northern Foods	fin	5.3	Sept 16	5	8.8	8.4
Racal Elecs	fin	2.75	Aug 24	2.75	4.25	4.25
Scottish Hydro	fin	8.68	Oct 3	7.78	12.64	11.38
Waddington (J)	fin	4.7	Aug 10	4.3	8.5	7.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip. ‡Irish pence.

Invesco to launch Japanese investment trust

By Bethan Hutton

Invesco has announced plans for a Japanese investment trust, the third new trust to ba launched in the sector this year. The invesco Japan Discovery Trust will aim for long-term capital growth by concentrating on smaller companies.

The Japanese investment trust sector has been attracting substantial inflows of new money this year. Fidelity Japanese Values, a smaller companies trust, raised £105m, and a conversion share issue by Fleming Japanese pulled in £160m. Schroders has so far raised £88m for its Japan Growth fund, the public offer for which closes at the end of the month.

Invesco already runs two Japanese unit trusts, and will draw on the experience of its existing Tokyo-based fund managers for the new trust. Shares will be issued at 100p, with one warrant attached to every five shares. The public offer opens on July 14 and closes on July 29.

Sales currently 13% ahead and benefits of cost cuts coming through

Confident Meyer rises to £42m

By Peggy Hollinger

Fears that the UK economy might be overheating were dismissed yesterday by Meyer International, the timber and building products group, which said it had perceived only modest and steady growth over the last year.

Mr John Dobby, who took over as chief executive following the departure of Mr Richard Jewson in September, said he had seen no evidence of inflation getting out of control. "We are seeing a steady recovery and the pace of that recovery is not accelerating," he said.

Sales were running 13 per cent ahead of last year, against a 9 per cent increase for the whole of 1993. Yet they were still substantially lower than the peaks of the 1980s.

Mr Dobby was speaking at the announcement of the results for the year ended March 31 1994, which showed a better-than-expected profits improvement from £14.4m to £41.6m.

Sales were 10 per cent higher at £1.2bn.

Benefits were being seen from two years of cost-cutting, following the ill-fated move into plumbing and heating in the late 1980s.

With costs across the group rising 8 per cent compared with the 10 per cent sales increase, much of the turnover improvement had dropped straight to profits.

The UK builders merchant business, Jewson, improved operating profits by 78 per cent on an 8 per cent increase in sales to £425m. Sales on a like-for-like basis rose by 9 per cent, including a 4 per cent price increase.

Forest products benefited from a 10 per cent increase in softwood prices over the year. Profits rose by 63 per cent to £19.6m on sales 21 per cent higher at £389.5m.

The Dutch business returned operating profits of Fl 36.7m, 47 per cent ahead of last year.

Meyer's debt as a proportion of shareholders' funds fell from 50 per cent to 19 per cent, largely because of the £70m cash call last year.

The final dividend, cut from 16.5p last year, was increased by 18 per cent to 6.6p, for a total 12.5 per cent up at 10.8p. Earnings more than doubled from 10.1p to 24p.

Also announced was the appointment of Mr Richard Miles, ex-md of Steetley, as a non-executive director.

● **COMMENT**

Meyer is doing everything possible to regain the investment community's favour. It stresses caution and is focusing on organic growth. Yet it remains shadowed by its former ambitions. News that Meyer is thinking about returning to plumbing and heating, albeit more cautiously through specialist counters in its branches, left many feeling somewhat stunned. The economic recovery will give great momentum to profits but, in the longer term, this is more of management play. Given its recent history, the jury is still out. Forecasts are for £57m, with a prospective p/e of 14 times.

Acquisition helps Blick rise 14% to £4.98m

By David Blackwell

The £57.6m acquisition last October of Time and Security from Mercury Communications helped Blick, the communications systems and time products company, lift interim profits by 14 per cent and turnover by 48 per cent.

Pre-tax profits rose from £4.37m to £4.98m in the six months to end March, while turnover increased from £16.3m to £24m. Operating profits were 31 per cent ahead at £5.34m.

The company attributed £5.8m of the increase in turnover to the acquisition, and 10 per cent to organic growth.

Mr Ian Scott-Gall, managing director, said Blick had produced a strong cashflow following a cleverly structured acquisition which was on course. During the half year the group paid back £14m of bank debt incurred in the purchase, reducing gearing from 167 per cent to 81 per cent.

He described the current level of business as encouraging, with a high level of customer confidence in the market.

The Time division, responsible for clocking in equipment, car parks and time control software systems, showed strong growth and good margins.

Operating profit rose from £1.26m to £2.42m on turnover up from £6.78m to £9.24m.

The Communications division, where margins are more competitive, increased turnover from £9.52m to £14.8m, and profits from £2.82m to £2.92m.

Net interest payable rose to £359,000 compared with interest receivable last time of £293,000.

Earnings per share increased to 12.54p from 12.42p. The interim dividend is 3.5p (3.3p).

Exceptionals leave Anglo United £75m in the red

By Simon Davies

Losses at Anglo United, the heavily indebted owner of the Coalite smokeless fuel business, rose from £30.5m to £74.6m pre-tax in the year to end-March, but the bulk of the deficit arose from the sale of the Charringtons Fuel business in March.

The company showed a marginal improvement in its operating performance, and Mr Harold Cottam, chairman, said Anglo United was exploring the possibility of bidding for parts of the British Coal privatisation.

It is interested in Coal Products, a manufacturer of smokeless fuel, and British Fuels, a distributor of coal, gas and oil, which both complement Anglo United's existing business. However, these acquisitions would be contingent upon further financial restructuring.

Mr Cottam said: "We believe that Anglo's period of retrenchment is now over." It has almost completed a programme of asset disposals, following a debt for equity swap with its leading bankers.

Net debt has been reduced by £32.8m to £96.1m, but the company has an additional £24.9m in convertible loan stock and £56m in deep discount loan notes. About £103m of its bank debt is repayable in March 1996 making further restructuring inevitable.

Turnover was £518.5m (£544.7m) and operating profits before axceptional itams amounted to £21.9m (£20.3m). The company suffered £11.9m of exceptional losses, primarily related to the closure of one of Coalite's two production plants, in Grimethorpe.

The sale of Charringtons resulted in a book profit £14m, but it took a £75.7m exceptional loss from goodwill previously written off.

Interest costs fell 28 per cent to £23.5m, due to the impact of disposals, and Mr Cottam was confident that operating profit would exceed interest payments in the current year. Losses amounted to 8.3p (8.9p).

Staff levels have been reduced from 3,000 to below 1,800, and with reduced costs, Anglo United increased profits from smokeless fuels despite a 4.5 per cent fall in domestic sales. However, earnings from Coalite chemicals fell.

● **COMMENT**

At its peak, in 1990-1991, Anglo United made profits of more than £15m, but with its current structure, such levels are no longer attainable. It should achieve a marginal profit for the current year, but future earnings growth is restricted by the shrinking Coalite market. Having swept the decks, the management wants to sail forth and explore opportunities for capitalising on its expertise. If it succeeds, shareholders face significant dilution from another debt-for-equity swap. If it fails, the company retains a substantially negative valua. Either way, the odds seem stacked against the equity shareholder.

LIG's £175m loss part of a 'sorry set of numbers'

By Maggie Urry

Even its new finance director, Mr James Tyrrell, could only describe London International Group's results for the year to March 31, which accompanied its £115.2m rights issue, as a "sorry" set of numbers.

He said he had prepared tha results on a conservative basis, for instance writing off costs previously deferred or capitalised, and switching the Indian joint venture, in which LIG has a 42.7 per cent stake, from a subsidiary to an associate.

Group turnover fell 4.7 per cent to £396.6m (£416m) as health and personal products sales fell. Operating profits were £40m lower at £7.5m before exceptional losses. These included £30.9m of operating exceptional losses costs of surplus property, and a £137.4m restructuring charge which includes a £91.4m loss on the sale of the photo-processing division.

Interest charges fell slightly to £14.3m (£15m), thanks to lower interest rates and in spite of a more than £40m rise in debt to £168.4m.

That left the pre-tax loss at £175.1m (profit £27.8m). However, after a tax credit of £200,000 and a minorities credit of £1.2m, the transfer from reserves was £173.7m (retained profit £2.8m). The loss per share was 102.93p (earnings 11.12p).

Mr Tyrrell said the sale of ColourCare had been unusually complex. LIG had originally received an attractive offer from an American group but the interests of the small number of large players in the industry had prevented this succeeding.

The sale to the MBO does not cover the 257 mini-labs in Boots stores, but LIG was close to selling these to two parties, Mr Tyrrell said.

In the latest financial year ColourCare lost £13.2m (£3.2m) befora exceptional costs and interest.

The health and personal products division, including condoms, surgical gloves, household and industrial gloves and toiletries, suffered a drop in pre-exceptional operating profits from £51.4m to £30.7m. This was partly due to a change to a smoother pattern of promotions, but also reflected problems in Italy, cost increases exceeding price rises, and a lack of one-off gains in the previous year.

The deficit on the profit and loss account hit the balance sheet, cutting net assets from £121.5m to a deficit of £10.7m, after crediting reserves with £47.8m of goodwill previously written off.

Mr Tyrrell said that after the rights issue, debt would fall immediately to £53.2m, 50.9 per cent of the enhanced shareholders funds. However, cash costs of the restructuring would increase debt once more to an indicated £82.1m, giving gearing of 78.6 per cent.

Standard Life exercises Halifax option

By Norma Cohen, Investments Correspondent

Standard Life, the Edinburgh-based life insurance company, said yesterday that it had exercised its option to buy the joint venture investment company it had formed with Halifax Building Society.

Halifax last year made a decision to end its tied relationship with Standard Life under which it sold Standard Life's retail financial products exclusively.

That agreement formally comes to an end in January 1995, but Standard Life said it was making the announcement of the purchase now "to allay any uncertainty among existing and new investors about the ongoing investment management of their savings."

The joint venture company, which manages the investment of two unit trusts – Income Advantage and Global Advantage – has 68,000 customers and funds of more than £300m under management.

Helene rights to help fund £10m Reggie acquisition

By Caroline Southey

Helene, the fashion wear manufacturer and distributor, yesterday announced a £8.9m rights issue to help fund the £10m proposed acquisition of Reggie, a supplier of women's outerwear.

Some 41.8m ordinary shares are to be issued at 24p on a 1-for-3 basis.

The initial consideration of £4.5m for Reggie will be satisfied by £2.9m in cash and loan notes and the balance by the issue of 6m shares to Reggie's vendors.

The further £5.5m will be payable so long as Reggie's aggregate pre-tax profits for the two financial years to December 31 1995 exceed £4m.

Reggie, which last year reported pre-tax profits of £1.56m on turnover of £16.4m, primarily supplies large high street retailers with its own-designed women's coats, jackets and separates.

Helene reported pre-tax profits of £4.51m in 1993 on turnover of £101.6m, 56 per cent of which was generated by women's wear.

Mr Norman Fetterman, Helene managing director, said Reggie operated in markets complementary to those of Helene and that the acquisition would "strengthen our position as a key supplier to major high street retailers and mail-order companies."

The Helene board said it hoped to raise a total of £14.9m, £6.4m of which would be used to meet the cash element and part of the loan note element of the acquisition and £8.5m as additional working capital.

Mr Fetterman said a larger capital base was needed to expand the company at a time when retailers were beginning to do business with key suppliers only.

Apart from the rights issue, the board proposed that an additional £6m would be raised by the subscription of 24.3m ordinary Helene shares (about 12.3 per cent of the enlarged ordinary share capital) by Causeway Smaller Quoted Companies Fund.

The rights issue has been fully underwritten by Samuel Montagu.

COMPANY NEWS: UK

Evans Halshaw acquires Davenport for £33m and makes £29m cash call

By Paul Cheeseright, Midlands Correspondent

Evans Halshaw, Solihull-based motor distributor, has made a recommended £32.6m offer for Davenport Vernon, the motor dealer, and is raising £29m via a 3-for-10 rights issue priced at 425p.

The merger of Davenport's 28 dealerships with the Evans' 58 represents a further consolidation in the motor distribution sector and comes two weeks after BSG International bid £20m for Jessups.

Some 50.5 per cent of the Davenport equity has been committed to Evans which is offering 100 new shares for every 288 Davenport shares or a cash alternative of 155p. The share offer values each Davenport share at 172p, which is a premium of 52 per cent over the overnight price.

At yesterday's close Davenport was up 45p at 158p while Evans fell 31p to 484p.

The proceeds of the rights – underwritten by Kleinwort Benson – will fund the cash alternative and, unless there is unexpected reluctance to accept Evans paper, also pay for the £7m acquisition of a privats motor dealing company, the future of which is subject to negotiations.

Evans has made no secret of its desire for acquisitions and has had a lengthy courtship with Davenport.

"We've had close connections for three years and have had discussions on a number of occasions," said Mr Geoff Dale, Evans chairman.

Davenport had a rights issue last year but a profits warning last March indicated a weakening financial position and this opened the way for the offer.

Yesterday the company announced pre-tax profits of £478,000 for the six months to March 31 on a turnover of £88m.

It is paying an interim dividend of 0.5p.

Evans expects to be able to extract higher performance and wider margins from the Davenport chain of dealerships. Its dealerships in counties on the north-west side of London complement Evans' geographical strength in the Midlands and south-east England.

Evans yesterday forecast an interim dividend of 5p for 1994. This represents an increase of about 15 per cent over last year and it is intended that it will be 33 per cent of the total.

Kleinwort Benson acted for Evans in the takeover and NatWest Securities for Davenport.

● COMMENT

Evans Halshaw shareholders can thank institutional reluctance to buy motor distributor shares and market fatigue with capital raising for an advantageously priced rights. The shares anyway have come off their high point for the year just as profits are set to jump sharply. The combined Evans Halshaw-Davenport Vernon group should make £15m pre-tax this year and that would give earnings on the enlarged capital of about 35p a share. That would put the new shares on a prospective multiple of just over 12, which should not be a very severe test of loyalty.

Advance to £12.7m for Cape

By Peggy Hollinger

Cape, the building products and industrial services group controlled by Charter Consolidated, announced a 7 per cent increase in pre-tax profits to £12.7m for the year to March 31. This was in spite of a 6 per cent drop in sales to £230m.

The profits rise was achieved against the background of a modestly increasing demand for building products in the UK and continental Europe, the group said. Cape was less optimistic for its industrial businesses, where the outlook in the UK was uncertain.

Operating profits in the architectural and building products division rose by 44 per cent to £9.4m on sales £200,000 higher at £71.7m. The return was helped by the elimination of losses in the ceiling business and higher margins for industrial and insulation products.

The industrial services division fell by 9 per cent to £6.1m on sales down 8 per cent to £159.8m.

The proposed final dividend is 8p (7.75p) for a total 2 per cent ahead at 11p (10.75p). Earnings were 15.8p (14.9p).

Provisions peg Waddington to £8m

By David Blackwell

A provision of £7.4m to settle a US antitrust investigation held back profits at John Waddington, the packaging, printing and games company.

A further provision of £3.8m, including £2.1m of goodwill written back, on the disposal of a labels business left pre-tax profits for the year to April 2 at £8.07m on £236.1m turnover.

This compares with £6.05m on turnover of £221.6m last year, when there was an exceptional charge of £9m.

Profits from continuing operations before exceptionals were 5 per cent ahead from £20.4m to £21.5m, on turnover of £220.2m (£190.9m).

Earnings per share were 4.33p (3.19p). A final dividend of 4.7p (4.3p) is proposed, bringing the total for the year to 8.5p (7.9p). Mr Geoff Gibson, finance director, said that the dividend was almost twice covered by earnings per share of 16.69p (13.71p) before exceptional items.

Under the antitrust investigation into two of its food services companies the group has made a plea bargain, agreeing to a fine of US$4.2m (£2.8m). The board expects the full provision of £7.4m to cover the fine, ensuing civil claims and legal expenses.

The core packaging business raised turnover from £119.8m to £145.8m, and operating profits from £12.8m to £14.4m. Margins were just less than 10 per cent.

The strongest growth in the packaging sector came from the food services division, which sells to US catering companies. Turnover rose from £28m to £45.4m, although profits of £5.4m (£3.7m) included £500,000 of exchange translation gain.

The carton business improved turnover from £28.9m to £35.7m, reflecting greater volumes from blue chip customers such as Birds Eye, Cadbury, and Colgate.

Mr Gibson said the group would this year invest £5m in a new production line at the Leeds factory, which would expand capacity from the start of next year.

The specialist printing division reported operating profits down from £4.1m to £3.7m on turnover of £48.6m (£45.4m).

Both turnover and profit in the games division were flat at £25.9m and £3.4m respectively. The group is introducing two new ranges of toys – radio controlled cars from Japan and infant and pre-school toys from the US – which it expects will provide incremental business through its existing distribution outlets.

● COMMENT

Take out the exceptionals and this looks a reasonable set of results, particularly if you believe the £7.4m provision for the US antitrust investigation is sufficient. The investigation appears to have done no damage to the expanding food services division. The group has also seen strong growth in the UK cartons sector, where its margins of 13.2 per cent are among the best. Pencilled in profits of about £22m would give a multiple of about 12. This is a worthwhile discount to the sector – providing there are no more exceptional charges.

Chemring at £2.85m after exceptional

By Caroline Southey

Chemring, the maker of anti-missile chaff, distress rockets and waterproof clothes, yesterday reported reduced profits in the six months to April 1.

The pre-tax figure fell by 2.3 per cent to £2.85m (£2.92m) on increased turnover of £24m (£21.3m).

Operating profits rose by 5.3 per cent from £2.96m to £3.12m after a £173,000 charge this time for 70 redundancies, mainly at Pains-Wessex, the distress signals maker.

The pre-tax figure was struck after losses at associated undertakings of £100,000 (£57,000) and net interest charges of £161,000 (credit £19,000) because of changes in the Ministry of Defence order methods which increased pressure on the company's cashflow. Net borrowings stood at £1.5m at the half year.

Mr Philip Billington, chairman, said that overall the company was performing well and had maintained margins. He said the redundancy costs were a one-off and that the work-in-progress pressure should improve in the second half.

Business from commercial markets had been maintained but orders from the defence markets, which account for 55 per cent of Chemring's business, were taking longer to come through.

UK turnover was up 15 per cent at £10.4m (£9.04m) while exports rose 11.3 per cent to £13.6m (£12.2m), with better sales in east Asia, the US and South America.

The interim dividend has been lifted by 8 per cent to 3.24p, compared with 3p from earnings per share which fell from 9.69p to 9.35p basic or to 9.15p (9.49p) fully diluted.

Scots Hydro seeks southern growth

By David Lascelles, Resources Editor

Scottish Hydro-Electric, the power company, is holding discussions about acquiring power stations from National Power and PowerGen.

Mr Roger Young, Hydro chief executive, said his company wanted to "push hard into England" using the strong cash flow from its operations north of the border. But it was too early to say what the outcome of the talks would be.

The two English generators are required, under an agreement with the electricity regulator, to sell plant and reduce their generating capacity.

Hydro-Electric also announced a 12 per cent increase in pre-tax profits to £164.2m (£146.4m) for the year to March 31 assisted by strong growth in electricity sales. Turnover advanced by 10 per cent from £717.8m to £792.4m.

Mr Young said that the rise was also helped by last year's expensive redemption of government debt, and fluctuations in output from the hydro-electric installations due to wide variations in rainfall.

A final dividend of 8.68p is proposed, making a total for the year of 12.64p (11.38p), an increase of 11 per cent. Mr Young said the company aimed to stick to its target of 6-8 per cent real annual dividend growth until the end of next year.

Increases after that would depend on the outcome of the current regulatory reviews.

Earnings per share were 31.7p (27.6p).

Total volume of electricity sold rose 22 per cent, helped by a doubling of sales to Scottish Power as it took its share from the Peterhead power station, now running on Miller gas from the North Sea.

Sales of electricity in England and Wales were up 9.2 per cent at £147.5m, equivalent to about a fifth of turnover.

Hydro-Electric already has a share in one power station in operation south of the border – at Dover – and two more are due to come on stream at Sellafield and Keadby.

● COMMENT

To its credit, Hydro-Electric was keen to emphasise the exceptional nature of the 15 per cent rise in post-tax earnings. Even so, the underlying rate was based on solid growth both in its home market in north Scotland, and in England and Wales where the company has set its sights for long-term growth. Confirmation that discussions are taking place with the English generators underlines Hydro's determination to expand south of the border, but no one expects any quick deals. The longer term prospects depend on Prof Littlechild's distribution review, though only 20 per cent of its profits are affected as against 80 per cent at the regional distribution companies. Hoare Govett has Hydro on a prospective yield of 4.7 per cent, which is a 10 per cent premium to the market as a whole.

A metamorphosis at Chrysalis

Raymond Snoddy on the group's move into TV and film production

Chrysalis, Mr Chris Wright's music and entertainment group, is in the middle of a metamorphosis designed to turn it into a major producer of television programmes and films.

Over the past 12 months, the group has quietly put together a raft of nine independent production companies, including two existing in-house divisions covering everything from drama and comedy to arts and sport.

At the same time, Chrysalis, where Mr David Puttnam, the film producer, is now a non-executive director, has been making film development deals with a number of UK directors and producers, including Mr Gary Sinyor, director of *Leon the Pig Farmer*.

Mr Michael Pilsworth, the former managing director of SelecTV who now heads the visual entertainment division, says the aim is to develop a range of production companies in the manner of record labels – usually by taking 50 per cent stakes.

Chrysalis has bought into companies such as: Watchmaker Productions, a vehicle for Mr Clive James and members of his team at the BBC; Bentley Productions, which has made dramas such as Harnessing Peacocks; and Assembly, a company specialising in stand-up comedy.

"That is the end of the buying. We have spent a total, including provision of working capital, of £8m," says Mr Pilsworth, who believes that access to scarce talent is the key to making money in the coming era of pay television.

Alan Harper

Chris Wright: prepared to reduce his stake if the price is right

Chrysalis' new move into feature films involves a similar strategy of backing a roster of British independents, including Mr John Goldstone, the producer of comedy films such as the Monty Python movies.

There have also been detailed discussions with Mr Richard Holmes and Mr Stefan Schwartz of Gruber Bros, the makers of *Soft Top, Hard Shoulder*, and Mr Jeremy Bolt and Mr Paul Anderson of Impact Pictures, who made the soon-to-be-released *Shopping*.

Chrysalis has agreed to invest £4m over the next three years to fund the development of new British films, but is now looking for a 50-50 partner to help take the initiative forward. Both independent television and film production are enormously competitive and films can also be very risky.

The rapid changes at Chrysalis have taken place against a background of financial difficulty. In the year to August 1993 the company reported pre-tax losses of £14.6m on turnover of £59m, largely because of problems at MAM, its amusement machine company which has now been disposed of.

Interim results due today will give the first official clue on how well the restructuring is going. All the signs are that the losses have been greatly reduced and that the company is now heading towards break-even.

Beside the small but profitable record import-export business, the plan is to have three main divisions. As well as visual entertainment, the company will concentrate on commercial radio and music publishing.

The first wholly owned Chrysalis radio station, Heart FM, the new regional station for the West Midlands, goes on air in September. It will offer "soft adult contemporary music" aimed at the 25 to 44-year-old market. Chrysalis hopes to take the format to London and is applying for one of two new FM frequencies – although the competition will be fierce.

On top of its music publishing activities, Mr Wright, who sold Chrysalis Records to Thorn EMI for $150m (£100m) in two tranches, has launched the Echo label to try to build up his record business again.

Last year Pony Canyon, part of Fujisankei of Japan paid $17.5m for a 25 per cent stake. "It [Chrysalis Records] took 20 years to build last time. I think it could probably take 20 again," says Mr Wright of Echo, which so far has released only 1,000 copies of work by a band called Zu.

Although Mr Wright is as committed to Chrysalis as ever, he says he is not determined to hold on to his 51 per cent control. If the price was right, he says, he would be prepared to sell 15 to 16 per cent of the company.

Eldridge Pope trebled to £0.6m in first half

By Reg Vaughan

Eldridge Pope, Dorchester-based brewer, retailer and wine shipper, is keeping up the pace of profit expansion in the first half of 1993-94 with a trebled pre-tax figure and Mr Christopher Pope, chairman, said that the main benefits of the recent Carlsberg-Tetley trading alliance were yet to come.

Profits for the half year to March 31 rose from £203,000 to £606,000 pre-tax after a sharp drop in net interest payable to £570,000 (£895,000).

For the year to September 1993 pre-tax profits doubled to £1.76m.

The USM-traded company, whose beer brands include Thomas Hardy Country and Royal Oak, recently introduced a brew called 3D (Dorchester D-Day Bitter).

Turnover declined to £17.3m (£20.5m), reflecting the sale of the beer wholesaling business to Carlsberg.

Trading profits rose to £1.31m (£1.24m) representing an increase from 6.1 per cent to 7.6 per cent in the margin.

Mr Jeremy Pope, managing director, said the £5m net from the Carlsberg deal was a 'war chest' waiting to be used. He said that a number of opportunities were being pursued but the board was "setting a stringent hurdle race."

Earnings per share rose from 0.86p to 2.3p and the interim dividend is increased to 1.5p (1.4p).

Quarterly changes to the UK Series of the FT-SE Actuaries

The FT-SE Actuaries UK Indices Committee yesterday issued the following statement: The Committee has approved the following quarterly changes to the UK Series of the FT-SE Actuaries Share Indices, to take effect from Monday June 20 1994.

FT-SE 100. For inclusion: GKN. For exclusion: Tarmac.

FT-SE Mid 250 and FT-SE Actuaries 350. For inclusion: Capital Shopping Centres, Mercury European Privatisation Investment Trust, House of Fraser, Beazer Homes, Babcock International Group.

For exclusion: Scottish Television, Meggitt, Bulmer (HP) Holdings, Frogmore Estates, Anglian Group.

FT-SE SmallCap and FT-SE Actuaries All-Share. The following new issues will be included from Monday June 20 1994: Chelsfield, Alpha Airports Group, Celltech Group.

Companies promoted from the FT-SE Mid 250 to the FT-SE 100 will be replaced in the FT-SE Mid 250 by those companies excluded from the FT-SE 100.

Companies excluded from the FT-SE Mid 250/FT-SE Actuaries 250 will be included in the FT-SE SmallCap.

The FT-SE Actuaries 350 Industry Baskets will be adjusted to reflect these changes.

Prices for electricity [illegible] in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.10	10.86	10.90
0100	11.91	10.78	10.75
0130	11.91	10.90	10.90
0200	11.91	10.86	10.85
0230	11.91	10.96	10.98
0300	11.91	10.86	10.96
0330	11.91	10.85	10.85
0400	11.31	10.88	10.85
0430	11.91	10.75	10.75
0500	11.91	10.75	10.75
0530	14.10	10.75	10.75
0600	11.88	10.75	10.75
0630	11.89	11.05	11.08
0700	25.38	13.00	13.00
0730	24.06	17.38	21.02
0800	24.31	21.41	25.07
0830	24.81	22.51	28.17
0900	27.44	22.51	28.17
0930	28.77	22.51	28.17
1000	40.73	22.51	28.17
1030	41.06	22.62	28.17
1100	38.19	22.52	28.17
1130	38.82	22.52	28.18
1200	38.97	28.27	29.95
1230	38.22	28.27	29.93
1300	29.03	28.27	29.92
1330	28.93	22.09	25.74
1400	38.21	22.08	25.74
1430	28.48	22.06	25.74
1500	25.41	21.49	25.14
1530	25.89	21.49	25.14
1600	36.32	21.49	26.14
1630	37.20	28.28	29.93
1700	37.68	29.50	33.18
1730	38.61	29.50	33.18
1800	34.79	23.89	27.55
1830	24.48	21.41	25.06
1900	24.18	19.67	23.52
1930	24.14	19.87	23.52
2000	24.13	17.38	21.02
2030	23.39	17.38	21.02
2100	23.39	24.14	27.79
2130	37.51	29.50	35.18
2200	37.51	29.50	33.15
2230	37.81	24.14	27.79
2300	37.51	13.28	17.39
2330	20.83	11.53	11.83
2400	23.50	11.08	11.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per Megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

First International Funding Co.

Floating Rate Notes

Pursuant to the Indenture dated as of June 3, 1993 among the Issuer, State Street Bank and Trust Company as Trustee, and Financial Security Assurance Inc. as the Insurer, notice is hereby given that for the Interest Accrual Period from June 3, 1994 to September 5, 1994, the applicable Note Interest Rates are: for the Notes due 1996, 5.075%; for the Notes due 1998, 5.175%; and for the Notes due 2000, 5.325%.

GT EUROPE FUND

Société d'Investissement à Capital Variable

69, route d'Esch, Luxembourg

R.C. Luxembourg B-21108

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of GT EUROPE FUND will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on Friday, 17th June, 1994 at 11.00 a.m. with the following agenda :

1. To hear and accept the Reports of:
   a) the Directors.
   b) the Auditor.
2. To approve the Report of the Directors for the year ended 31st December, 1993 including the Statement of Net Assets as at 31st December, 1993 and Statement of Operations for the year ended 31st December 1993.
3. To discharge the Board of Directors and the Auditor with respect of their performance of duties for the period ended 31st December, 1993.
4. To elect the Directors to serve until the next Annual General Meeting of Shareholders.
5. To elect as Auditor to serve until the next Annual General Meeting of Shareholders :Coopers & Lybrand S.C.
6. To declare a dividend in respect of the year ended 31st December, 1993.
7. To approve the payment of Directors' fees.
8. Any other business.
9. Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to take part at the meeting of 17th June, the owners of bearer shares will have to deposit their shares five clear days before the meeting with the registered office of the company or with Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

THE BOARD OF DIRECTORS

COMPANY NEWS: UK AND IRELAND

Reduced interest costs behind Greencore rise

By Tim Coone in Dublin

Greencore Group, the Irish sugar, malting and milling group, achieved a 15 per cent increase in pre-tax profits to I£19.5m (£19.03m) for the half year ended April 1.

The improvement reflected a 54 per cent reducution in net interest charges to I£2.95m, which Mr Kevin O'Sullivan, finance director, said had been achieved through strong cash flow, lower working capital requirements and lower Irish short-term interest rates.

Turnover fell from I£203.54m to I£194.21m, a decline of 4.6 per cent, while operating profits slipped 6 per cent to I£20.6m partly because of poor weather conditions in the spring which affected demand for products from the company's agribusiness division, and difficult trading conditions in the malting business which saw operating profits in the malting and flour division fall by 19.5 per cent to I£4m.

Mr Gerry Murphy, chief executive, said the company's sugar and flour businesses were performing strongly, with sales and operating profits up in the core Irish market. However, he saw no improvement in the market for malt "for 12 to 18 months".

He firmly defended last month's decision to acquire HDM, a Belgian malting company for I£2.6m, saying that it had "state-of-the-art" facilities which would require no additional capital investment and which had been bought at a knock-down value.

The two plants have a combined 100,000 tonne capacity a year which Mr Murphy said would be brought on line "as market conditions permit", starting with the Benelux countries.

Greencore also announced that it was increasing its stake in Kears, a UK bakery associate, from 30 per cent to 50 per cent for a consideration of I£8m.

Mr Murphy said the two investments would have a "significant impact" on the group's business by 1995-96. Further acquisitions in the milling and malting divisions were under review in the EU, central Europe and North America.

At the half year end gearing stood at 41 per cent (77 per cent) and was expected to drop to 15 per cent by the end of the financial year.

Mr Murphy said Greencore had the financial strength to borrow up to I£100m to fund further acquisitions.

Earnings per share emerged at 19.2p (17p) and the interim dividend is being lifted to 3.7p (3.3p).

● COMMENT

The half-year downturn in operating profits looks largely seasonal and should not disguise the strong cash flow which is producing healthy earnings growth and a solid balance sheet. This is a good platform from the management's expansion plans and earnings per share for the full year of 37p, up 6p, is now easily within reach, giving a prospective p/e of 9.6. This is lower than some other large stocks in the sector yet Greencore's potential for growth is somewhat higher than their's.

Turnpyke in black for second half

Turnpyke Group, the spring manufacturer and property company formerly known as WB Industries, reported pre-tax profits of £107,000 in the second half of the 1993 year.

However, it was not enough to overcome first half losses leaving a pre-tax deficit for the year cut from £795,000 to £68,000. Turnover was down at £2.45m, against £6.99m, which included £4.54m from discontinued activities.

West Bromwich Spring was the main contributor to the improvement and in the first five months of the present year it is slightly ahead of its budgeted profit.

Mr Eric Cater, chairman, said Turnpyke would now be concentrating more on the property side.

Interest had been shown in its Sheffield properties and terms had been agreed for the sale of the site but he was not sure when completion would take place.

Losses per share were 1.21p (12.38p).

Upholstery side hits Airsprung

By Roland Adburgham, Wales and West Correspondent

Pre-tax profits at Airsprung Furniture Group dipped slightly from £5.96m to £5.91m in the year to March 31 after problems in its upholstery division including a large bad debt.

The Wiltshire-based company, the second largest UK bed manufacturer after Silentnight, described the results "as less than satisfactory". Turnover rose by 11.4 per cent to £73.1m (£65.6m) generating operating profits of £5.77m (£5.76m).

A month ago Airsprung warned that its pre-tax result would be below market expectations. The upholstery division increased turnover by 20 per cent but Bymacks, its main subsidiary, performed poorly and incurred the bad debt of about £250,000.

An investigation revealed management weaknesses, the company said, and action had been taken.

Airsprung said its bed division performed well with sales up 3.9 per cent in a very competitive market and a satisfactory increase in profits. "The pressure on margins has been pretty acute but we've come out fairly unscathed," said Mr John Pierce, chief executive.

Its pine furniture division increased turnover by nearly 16 per cent and he saw much scope for expansion.

Mr Pierce said there was little sign that the UK recovery had reached the furniture market. "We've had to struggle for every increase in turnover with no help from the economy." He added: "However, we are confident that the group is in a position to take profitable advantage of any upturn in demand."

The company intended to increase capital expenditure this year to £2.1m.

A proposed final dividend of 3.1p gives a total for the year of 4.8p (4.5p adjusted), covered 3.3 times by earnings per share of 16p (15.7p).

Caledonian Mining reveals interest

Ministers rejected the advice of Caledonian Mining, among others, that British Coal should be privatised as a single entity. But that has not stopped the company, a mining equipment manufacturer, having a look at what is on offer, writes Michael Smith.

Newark-based Caledonian has qualified to bid for three regions where opencast operations rather than deep mines predominate: north-east England, Scotland and south Wales.

Mr Colin MacLeod, chairman and owner, concedes that his company, which turns over about £40m a year, is likely to be among the smallest of the companies considering a bid.

However, he says that turnover has grown by about 60 per cent annually since he set it up 32 years ago, except at the time of the 1984-85 miners' strike.

Unlike several of the companies considering bids for regions, Caledonian is debt-free. Mr MacLeod says he already has bank backing for a bid if he proceeds.

Caledonian operates only one pit, a small drift mine near Abergavenny, in Wales. However it has long experience working under contract for British Coal sinking shafts and driving tunnels.

"Extracting coal is the easy bit," he says.

Manufacturing colliery arches and supports for mines and civil engineering projects is among the company's other main businesses.

In a submission to the government last year, Caledonian argued strongly against breaking up British Coal. "It is doubtful if a coal industry could survive if it was split into a number of comparatively small units all competing in a market place dominated by two principal customers."

This is a reference to National Power and PowerGen, the main electricity generators in England and Wales.

If successful, Caledonian intends to offer employees shares in the company. It would seek "modern" working practices and a no-strike agreement.

Management digs in for north

Two executives are considering making bids. Michael Smith reports

They cannot both fulfil their amhitions, but British Coal executives Mr Bob Siddall and Mr Alan Houghton, will take some persuadiog before they give np the fight.

Mr Siddall and Mr Houghton, directors of Coal's opencast operations and northern group respectively, are leading two of three management buy-out teams considering bids for British Coal assets.

The snag is that both want the central north region; Mr Siddall as part of a portfolio of three regions comprising the whole of England; Mr Houghton as a stand-alone company.

A third management team is led by Mr Bryan Riddleston, who wants the south Wales region. As regional director for the sooth Wales opencast operations, he already runs what is on offer.

His problem is that south Wales is thought to be one of the more popular regions in the privatisation. But at least there is no internal rival to divide the loyalties of managers and employees.

Senior British Coal executives believe Mr Siddall and Mr Houghton should reach a deal and join forces. Some doubt the wisdom of either making e bid. After all, nooe of the five executive board members have thrown their hats into the ring in spite of the promise of funds from governmeot to help managements wishing to stage a buy-out.

A year or two ago, Mr Ray Proctor and Mr Andrew Horsler, now finance and commercial directors respectively, appeared obvious candidates to be MBO leaders.

Both are in their 40s, both are widely respected within the industry and both have chosen to steer through the privatisation of British Coal as employees of the seller, the government, rather than resign and take the opportunity to become buyers.

Neither will disclose their reasons hut it is common knowledge that British Coal tried hard to persuade the government to privatise British Coal as one entity.

Following their failure to win the argument Mr Neil Clarke, British Coal chairman, has warned repeatedly that there could be casualties after privatisation as companies compete with each other in buyers' markets.

Colleagues turned competitors? Left to right, Bryan Riddleston, Alan Houghton and Bob Siddall

Mr Siddall's team, which also includes Mr David Brewer, British Coal's head of finance, is aiming to keep at least the largest part of the corporstion in one piece.

"You need critical mass to manage the environmental and mining risks in this type of business," said Mr Siddall.

If his English Coal company were to bid successfully for all three English regions, it would take control of 1S of British Coal's 16 deep pits mines still in operation.

Mr Siddall's company is also considering bids for five of the six pits which have been closed hy British Coal in recent months and which are being offered as stand-alone pits.

Such amhition is perhaps natural in the son of Sir Norman Siddall, who was considered one of the coal industry's more effective leaders in a career which culminated in the chairmanship of the National Coal Board, British Coal's predecessor, in 1982-83.

Mr Boh Siddall, now 49, joined the industry 28 years ago after studying mining engineering at Nottingham University.

Within three years he was an assistant pit manager and his subsequent career has included spells as director of north and south Yorkshire. He was appointed opencast director last September.

He is said to be keeo on people management skills. His peers and seniors consider him a good mining engineer who has yet to prove himself as a top flight manager.

The number crunching role would be provided by Mr Brewer, 47, who started at British Coal as a management trainee and was appointed head of finance in 1993. He is highly regarded.

Mr Houghton, whose company is called Northern Coal, and Mr Siddall are said to have an uneasy relationship.

Mr Houghton, 56, made it to regional director from humble origins, having started as a miner at 15 in Lancashire. He became a pit deputy eight years later and an undermanager within another five.

His subsequent career has included spells as chief mining engineer in south Midlands and director of the Selhy group. He became northern director last September.

He is known for his colourful language. "He seems to have been trying to curb his reputation for effing and hlinding recently but he is still known as an arse kicking engineer," said a colleague.

Critics see him as aggressive aud dogmatic. Supporters say that that helps him to get things done. "He fights his corner," said one. "He has kept pits open that others would have given up on."

In south Wales, Mr Riddleston is an enthusiast for the product, mainly high quality enthracite or "black diamonds" as he calls it. In his six years output has almost doubled.

Mr Riddleston, 46, is a chemistry graduate of Wadham College, Oxford. He joined the industry's operational research establishment in 1970 hut later switched to accountancy within British Coal.

He is admired by some of British Coal's senior executives but oot by all the people who work for him. Neither Mr Peter Weavers, his projects development manager, nor Mr John Wooliscroft, operations manager, have joined the bid team.

However Mr Riddleston's company, Celtic Energy, has attracted Mr Mark Thomas and Mr Eric Blank, regional accountant and marketing specialist respectively. "It is the stroogest team to win," he says.

These are the last articles in the series. Previous features appeared on May 30, June 1, June 2, June 3, June 7 and June 8.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1990=100); engineering orders (£ billion); retail sales volume and retail sales value (1990=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1992							
1st qtr.	95.0	93.4	28.6	98.7	98.5	2,625	117.9
2nd qtr.	94.8	95.0	28.0	99.4	104.5	2,712	117.6
3rd qtr.	95.0	94.2	27.3	94.8	104.8	2,806	116.4
4th qtr.	95.5	94.2	28.7	100.6	123.5	2,917	118.8
1993							
1st qtr.	94.8	95.1	29.3	101.8	105.2	2,962	120.0
2nd qtr.	92.2	95.5	29.3	102.4	110.8	2,906	120.4
3rd qtr.	98.4	94.8	29.3	103.4	111.2	2,914	128.1
4th qtr.	99.0	95.7	28.8	104.3	132.2	2,802	130.9
January	98.1	94.8	29.1	101.4	104.1	2,993	119.8
February	97.1	95.4	28.9	102.1	104.4	2,958	120.0
March	99.8	96.1	29.3	101.9	106.6	2,904	123.1
April	94.8	95.0	29.3	101.8	110.9	2,942	123.7
May	98.2	95.6	29.2	102.6	108.3	2,928	124.1
June	97.3	95.2	29.3	103.2	109.8	2,915	122.5
July	94.8	96.8	29.1	103.1	111.3	2,917	127.0
August	95.4	96.2	28.7	103.4	111.8	2,922	128.7
September	94.8	95.4	29.3	103.7	111.3	2,902	130.2
October	94.8	95.6	29.3	104.8	136.7	2,809	136.6
November	99.9	95.8	28.4	104.4	124.9	2,813	140.4
December	94.8	96.8	34.8	104.4	108.4	2,771	148.8
1994							
1st qtr.	100.2	97.1	34.7	105.8	111.9	2,734	140.8
January	100.2	97.0	33.2	105.4	118.6	2,781	140.8
February	100.7	97.3	35.8	105.2	108.8	2,783	141.1
March	100.1	96.8	34.7	105.8	113.5	2,758	140.8
April	101.7	97.8		108.2	114.8	2,683	140.8

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1990=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1992							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1993							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1994							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1990=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1990=100); official reserves (end period)

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1992							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1993							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1994							
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL-Money supply (annual percentage change), M0, new M2 (retail deposits and cash), M4; bank sterling lending to private sector; building societies' net inflow; consumer credit; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmr. credit† £m	Base rate %
1992							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1993							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1994							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION-Indices of earnings (1990=100); basic materials and fuels; wholesale prices of manufactured products (1990=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1992							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1993							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	119.4	98.7	113.7	141.8	130.9	1,584	80.4
November	119.7	100.1	113.7	141.8	129.1	1,616	81.9
December	113.8	100.8	114.3	141.9	129.4	1,681	81.7
1994							
1st qtr.	122.9	101.1	114.8	142.0	130.8	1,763	81.3
January	121.2	100.5	114.7	141.3	130.8	1,680	82.4
February	123.5	101.3	114.9	142.1	130.6	1,780	81.0
March	123.9	101.4	115.1	142.5	131.8	1,819	80.5
April		101.8	115.4	144.2	131.9	1,822	80.0
May						1,824	79.8

*Not seasonally adjusted. †Net changes in amounts outstanding, excluding bank loans.

COMMODITIES AND AGRICULTURE

Bulls return to London's copper and coffee markets

By Our Commodities Staff

The copper and coffee markets, pacemakers in the recent commodities bull run, were back in favour again yesterday.

The London Metal Exchange's flagship contract opened just above $2,300 a tonne for three months delivery, before surging to a 17-month high of $2,377 as speculative money piled back into the market. It closed a few dollars off the top at $2,375.50 a tonne, up $105 on the day.

Although investment fund buyers played a big part in recent weeks, copper's performance was underpinned by growing physical demand, which had been reflected in 23 successive falls in LME warehouse stocks, dealers told the Reuters news agency.

Coffee prices soared again as the market threw off its recent bout of profit-taking. The September futures contract at the London Commodity Exchange rose by $91 a tonne to $2,115 a tonne with the New York market staging a big increase at the opening of trading.

Traders were jumpy about reports of cooler weather in Brazil as a frost could affect the almost-mature beans, although this was not seen as a major threat. In addition a one-day port strike in Santos, a big Brazilian coffee shipment point, gave the market the jitters and helped to push prices higher.

"There is still considerable upside potential in this market. We've just had a respite and I believe we will go on to challenge and go through the recent highs," said Mr Bill O'Neill, soft commodities analyst at Merrill Lynch in New York.

'Green' alliance comes to aid of Australia's degraded land

By Deborah Hargreaves

Australian farmers are being encouraged to tackle some of the huge environmental problems facing their country's agricultural industry through a series of local initiatives called Landcare.

Mr Andrew Campbell, a former Landcare co-ordinator, told a seminar in London yesterday organised by the Sustainable Agriculture, Food and Environment Alliance, that Landcare had attracted more than a third of Australian farmers with 2,000 groups set-up nationwide.

European farming methods in Australia have caused many of the environmental problems as they are unsuited to the continent's fragile soils and unpredictable rainfall. Land degradation such as salinity, erosion and soil structure decline affects over half of the nation's farmland at a cost of more than A$2.5bn a year, according to Safe.

Landcare groups consist of farmers, environmentalists, teachers and local people, providing a useful social role as well as tackling environmental problems.

Australian wheat production is expected to fall in 1994-95, because of the lack of rainfall in major growing areas, writes Nikki Tait in Sydney.

Australian Wheat Forecasters estimated yesterday that output in 1994-95 would reach about 16.7m tonnes, compared with 17.52m tonnes in the previous season. Sowing has progressed slowly because of the conditions, with no wheat growing areas being sown early, and only some areas in Western Australia being sown in sufficient time to allow for a long growing season. The lack of rainfall has been particularly severe in parts of Queensland.

Mr David Clark, who farms 250 hectares of grassland in South-eastern Victoria, runs one group which includes 120 farms and covers 40,000 hectares.

"In the past five years we've dramatically changed 40 to 50 per cent of the landscape in our area, but it will take 30 years to solve the big problems," Mr Clark said.

Around 2 per cent of the land in Victoria is covered with salt and cannot be farmed. At the same time, erosion of the land into huge gullies extending over 500km. "Most farmers don't like to see their land like this – they can't produce on it and don't want to live with it like this," Mr Clark stressed.

His group has begun to attract urban dwellers who are keen to get to know the countryside as well as local residents in a forum that promotes understanding of the farming community.

Since Australian agriculture is not subsidised, the Landcare programme only has government funding of A$40m a year for setting up groups and providing demonstration projects. Farmers do not receive aid for environmental measures.

One of the strengths of the Landcare movement is its local focus – groups concentrate on local issues and solutions that are relevant in that particular area. Different groups are interested in varying issues.

The most important role of Landcare according to Mr Clark is that it's "making farmers environmentalists".

Danish farmers long for free competition

Price cuts would be acceptable if they applied to everyone, writes Deborah Hargreaves

Mr Niels Rovsing, a large pig producer in the Danish village of Balle, complains that low pork prices are making it hard for him to make a living. But he would be happier with lower prices if everyone in the European Union experienced them.

"We need to go towards world prices, but every time we get close to them other producers scream for subsidies from their governments," he complains.

Danish producers are angry at reports that the French government has been paying out aid for its pig producers who are also suffering from EU overcapacity. The European Commission is investigating the alleged subsidies after complaints from British farmers.

Pig prices are not supported by the EU, but exports outside of the union receive a refund to compensate for high internal grain prices. Mr Rovsing would like to see everyone competing on the world market, which would help to eliminate roughly 3 to 4 per cent overproduction in the EU.

He reckons that about 5 per cent of Danish producers went out of business over the past two years, when pork prices dropped from Dkr13.40 (£1.36) to Dkr8.40 a kilogram. But remaining farmers are unlikely to increase their production to fill the gap.

A Danish law limits stocking density so that slurry can be disposed of. If they do not have enough land, farmers they must be able to show contracts for disposal by selling the slurry to their neighbours. This rule limits the size of herds on most holdings.

Low pork prices are estimated to have driven 5 per cent of Danish producers out of business over the past two years

Mr Rovsing grows winter barley, wheat and oilseed rape on his 65 hectares of gently rolling farmland. He uses some of his grain to feed his 6,400 piglets and 280 sows which are kept indoors all year round.

The number of Mr Rovsing's pigs makes him a large producer by Danish standards. Farming is intensive, but most holdings remain family concerns. Land ownership laws favour owner-occupiers and prevent large corporations from buying agricultural holdings.

Mr Niels Peter Skrubbeltrang, chief adviser at the Danish Agricultural Advisory Service, believes that, although the number of farms is likely to shrink in the next 6 years, holdings will not necessarily get much larger. "Danish farmers will not survive by getting bigger, but by making quality products and that is easier to do with smaller farms," he says.

Estimates put the number of Danish farms at 56,000 in 2000 compared with 72,000 today with the number of full-time farmers halving from 35,000.

Dairy farms are likely to increase in size as technology makes it easier for farmers to deal with more animals, Mr Skrubbeltrang believes. But even the expected increase in the average number of cows from 34 to 60 by 2000 would still leave Danish dairy operations fairly small by UK standards.

"One of the big challenges for Danish farmers is to increase production with the same cost base, making them more efficient. That is the way they need to operate in the more competitive world after the Gatt agreement," Mr Skrubbeltrang explains.

Mr Jens Jakob Jakobsen, a dairy farmer with 112 cows, expects milk prices to be reduced to world levels in the next five to 10 years. He thinks Danish farmers will remain competitive as long as feed prices are lower.

"I am optimistic; I've just spent Dkr2.5m on building new barns, I expect my son to take over from me and have a future in farming," Mr Jakobsen stresses. But his son will have to pay for Mr Jakobsen's farm at a price only slightly below the commercial value. Danish law does not allow farmers to bequeath their holdings to their offspring. This can build up large debts in the business which some farmers believe restrict their room for manoeuvre.

The strong co-operative movement in Danish agriculture enables most farmers to have a marketing edge that would be lost to them alone. Farmers will be looking to the co-ops to keep carving a market for them in the new competitive world of Gatt.

Bangladesh sets out to streamline jute industry

Reazuddin Ahmed reports on a World Bank-backed restructuring programme

Bangladesh's jute industry, once the glory of the country's economy but more recently a morass of bad debts, over-manning and decrepit equipment, has embarked on its biggest-ever restructuring programme.

With the help of a US$250m loan from the World Bank, the government has in the past year started cutting labour and closing redundant mills. Already some 12,000 workers have gone with generous retirement pay and a further 8,000 are to leave in the next few months.

But there are doubts about whether the ruling party can complete the programme for fear of generating a political backlash. With a general election due in early 1996, or before, Mrs Khaleda Zia, the prime minister, is already under pressure to avoid electorally-unpopular moves.

The scheme will ease the government's burden of financing the state-owned industry, which has accumulated losses since 1972 of 50bn taka (US$1bn). Streamlining the industry will also reduce costs for the surviving mills, enhancing their ability to compete successfully in world markets both in traditional goods such as matting and new products such as jute-based paper and reinforcing material for dams.

The restructuring programme includes privatisation of 18 jute mills and the closing of nine others to bring the number of looms down from 25,000 to 19,000. The government estimates that Bangladesh can sell 450,000 tonnes of jute goods annually, which can be produced with 19,000 looms. Four jute mills have already closed. Nine are to be privatised by the end of 1995 and the remaining nine by December 1996. The government will retain only two jute mills which are probably too big to be taken over by the private sector.

The restructuring programme provides financial support to the jute mills so that one-third of the debts can be written off and two thirds will be repaid over 15 years after a three year moratorium. The outstanding loan will bear only 3 per cent interest, 2 per cent below the country's bank rate. The banks will also finance exports for the next three years.

Jute accounts for 12 per cent of Bangladesh's gross domestic product and 20 per cent of exports. About 5m people out of 118m are dependent on jute production and processing.

Once called the golden fibre, jute declined after the nationalisation of the industry in 1972, partly through inefficient operation and partly through the growing popularity of nylon and other synthetic materials.

Annual world production of jute has remained static at 3.1m tonnes over the last two decades. About 920,000 tonnes a year are exported by the producing countries – Bangladesh, India, China, Thailand and Nepal. Bangladesh, the biggest exporter, supplies 480,000 tonnes and India 215,000 tonnes.

Worries about the environment have opened up opportunities for promoting jute as a green biodegradeable product. But the demand for new products is in its infancy and prices remain low.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1350.5-1.5	1379-80
Previous	1343.5-4.5	1273-3.5
High/low	1347.5	1384/1375
AM Official	1347-7.5	1376.5-7.0
Kerb close		1378-9
Open int.	257,518	
Total daily turnover	37,757	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1370-80	1370-75
Previous	1362-5	1360-5
High/low		1373/1372
AM Official	1370-5	1368-72
Kerb close		1372-5
Open int.	3,402	
Total daily turnover	746	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	514-5	531-2
Previous	498-9.5	516-7
High/low		536/521
AM Official	510-11	529-9
Kerb close		534-5
Open int.	35,843	
Total daily turnover	9,016	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6380-90	6475-80
Previous	6210-20	6300-10
High/low	6320	6500/6400
AM Official	6325-30	6415-20
Kerb close		6495-500
Open int.	56,022	
Total daily turnover	14,907	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5605-6	5660-90
Previous	5515-25	5595-600
High/low	5575	5695/5650
AM Official	5570-5	5650-60
Kerb close		5698-700
Open int.	16,222	
Total daily turnover	5,396	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	967-8	982-3
Previous	950-1	975-5.5
High/low	952.5	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: [illegible]

LME Closing £/$ rate: [illegible]

Spot: [illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	381.7	+0.6	382.4	381.3	1,358	458
Jul	382.7	+0.6	-	-	-	-
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmbtu; $/mmbtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	110.15	+0.70	110.15	108.90	283	58
Sep	98.90	-0.15	99.05	99.05	480	1
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Cotton

Liverpool- No spot or shipment sales were recorded for the week ended 3 June, against 407 tonnes in the previous week. Activity was adversely restrained and business was on narrow lines. Cost of raw cotton deterred users from increasing their purchases.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	981	+15	983	966	17,933	826
Sep	1003	+15	1006	993	18,699	1,378
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	11.91	+0.10	11.97	11.87	1,475	-
Oct	11.78	+0.06	11.80	11.80	687	-
Total					138,110	20,820

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	79.85	-1.45	80.85	78.30	17,001	2,769
Oct	76.50	-1.03	77.40	76.41	6,462	580
Dec	75.13	-0.87	75.70	75.01	25,942	2,805
Mar	76.10	-0.85	76.55	76.00	3,336	295
May	76.82	-0.75	77.50	76.52	1,845	103
Jul	77.05	-0.83	77.40	77.15	464	62
Total					N/A	N/A

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	95.90	+1.20	96.50	93.50	9,619	1,174
Sep	98.55	+1.50	100.50	96.25	6,875	832
Nov	99.85	+1.70	99.85	97.60	1,636	168
Jan	100.75	+0.10	101.50	99.50	2,921	74
Mar	101.55	-0.45	101.70	101.50	1,117	21
May	104.00	-	104.00	103.60	30	4
Total					22,211	2,284

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 8	Jun 7	month ago	year ago
1979.9	1957.2	1907.1	1656.1

■ CRB Futures (Base: 4/9/56=100)

Jun 7	Jun 6	month ago	year ago
228.96	228.84	224.94	205.96

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	64.100	+1.600	64.100	62.300	10,822	4,102
Aug	63.925	+1.500	63.925	62.150	30,241	9,966
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	43.675	+0.100	43.825	43.050	4,223	409
Dec	44.225	-0.025	44.300	43.600	3,016	170
Feb	44.100	-0.025	44.100	43.650	732	36
Total					30,601	7,410

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	40.100	-0.025	41.125	39.400	4,724	1,978
Aug	39.425	-0.750	40.750	38.750	3,449	920
Feb	47.550	-0.450	48.000	47.250	447	82
Mar	47.050	-	47.150	47.050	36	2
May	48.600	-1.200	-	48.000	32	2
Jul	49.500	-	-	48.500	12	2
Total					8,702	2,986

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1325	66	104	16	31
1375	38	75	40	50
1425	15	51	70	76
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2300	117	127	39	81
2350	87	101	58	105
2400	62	80	83	133
■ COFFEE LCE	Jul	Sep	Jul	Sep
2100	93	208	46	192
2150	66	186	69	222
2200	45	168	98	254
■ COCOA LCE	Jul	Sep	Jul	Sep
950	34	81	3	28
975	17	66	11	38
1000	7	53	28	50
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1550	43	-	7	40
1600	6	37	20	52
1650	1	22	55	85

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

		+or-
Dubai	$14.96-5.06w	-0.085
Brent Blend (dated)	$15.76-5.75	-0.13
Brent Blend (Jul)	$15.89-5.91	-0.10
W.T.I. (1pm est)	$17.87-7.89w	+0.07

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$184-185	-2
Gas Oil	$145-146	-2.5
Heavy Fuel Oil	$84-86	
Naphtha	$154-155	
Jet Fuel	$156-158	-2

Petroleum Argus Estimates

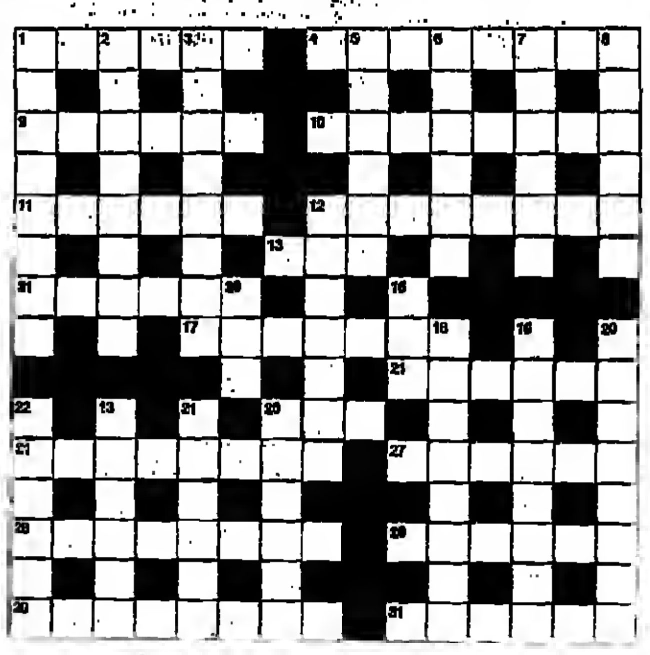
■ OTHER

Gold (per troy oz)♣	$382.10	+1.50
Silver (per troy oz)♣	535.50c	+6.00
Platinum (per troy oz.)	$396.00	+1.45
Palladium (per troy oz.)	$135.25	+1.10
Copper (US prod.)	111.00c	+5.0
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.26m	+0.28
Tin (New York)	261.50c	+6.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	127.29p	-1.47*
Sheep (live weight)†♠	107.16p	-25.34*
Pigs (live weight)	85.61p	-3.17*
Lon. day sugar (raw)	$298.3	+6.6
Lon. day sugar (wte)	$358.0	+2.5
Tate & Lyle export	£310.0	+4.0
Barley (Eng. feed)	£104.5t	
Maize (US No3 Yellow)	$140.0	
Wheat (US Dark North)	£180.0	
Rubber (Jul)♥	76.25p	+1.0
Rubber (Aug)♥	76.25p	+1.0
Rubber(KL RSS No1 Jul)	264.00m	+2.0
Coconut Oil (Phil)§	$615.0z	
Palm Oil (Malay.)§	$485.0w	
Copra (Phil)§	$397.0	-6
Soyabeans (US)	£206.0	
Cotton Outlook A Index	86.60c	-0.05
Wooltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,475 Set by ADAMANT



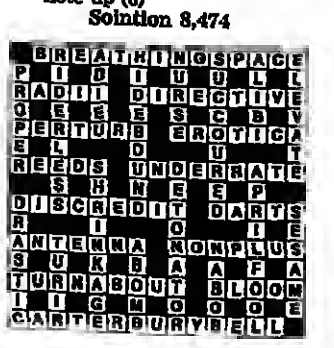
ACROSS

1 Search diligently for soldiers going back to war (6)
4 It produces a limp fielder (5-3)
9 Ernest, we hear, was outvoted about the university (6)
10 Rocky can't go round the street (8)
11 Copper has unusual poison (6)
12 Tells secrets in a second if tortured (8)
13 Mother was foolish to come back (3)
14 Some hair on top of the garage (4-2)
17 A noted individual (7)
21 Without petrol a gasket has to let out the boiler (6)
25 Set to fight mine (3)
26 Put off meeting a professional person of dubious reputation (8)
27 Sat round blushing and looked straight ahead (6)
28 Register a demand for bread at the start (4-4)
29 New fashion force (6)
30 Yet making a comeback possesses the virtue of boldness (8)
31 In satellite TV the local is not well covered (6)

DOWN

1 Willing to have some afterthoughts? (8)
2 Stray Irishman about to make a statement (8)
3 Sign of old Bob replacing maiden on the tank (8)
5 Fine sounding transport (8)
6 Traitor, if you start to sign the treaty (6)
7 Left one to offer nothing on impulse (6)
8 Agrees to develop a fat .... (6)
12 .... that will care about oil emulsified in energy unit (7)
15 Quiet work of modern music (3)
16 Question a second head keeper (3)
19 Having accepted former consumption, took the prescribed course (8)
19 Main creature might knock out poor ogre inside (8)
20 Inclination of a number to deny being cold-hearted (8)
22 Rum ghost (6)
23 Lose out in very short measure to a believer (6)
24 Come together with trick dog (6)
25 Even a chicken will draw the note up (6)

Solution 8,474



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Equities turn higher following production data

By Terry Byland,
UK Stock Market Editor

A welcome return of institutional buyers for UK equities yesterday broke the log jam of poor trading volume which had kept share prices subdued in the two preceding sessions. A vigorous response to a strong rise in industrial production in April raised hopes that share prices are poised to "growth in the economy, in company profits and in dividends", to quote one leading market strategist.

The revival of optimism was also buttressed by assurances from Mr John Major, the prime minister, that any control of dividends has been firmly ruled out, thus removing one of the stock market's most significant causes for concern. However, polling for the European parliamentary elections takes place in the UK today, bringing the likelihood of a drubbing for Britain's Conservative party.

The FT-SE Index closed 33.4 higher at 3,038.2, having touched 3,043.2 earlier. The advance was underlined by a return, for most of the session, to premiums in the Footsie stock index futures which have been at a discount for several sessions. Strength in UK government bonds, in spite of the strong production data, encouraged equities. Confidence spread across the full range of the stock market, lifting the FT-SE Mid 250 Index by 23.2 points to 3,600.8.

The market opened lower and it seemed at first that the Footsie 3,000 mark was about to be tested again. The abrupt upswing, in both equities and bonds, came following the news that April industrial production had risen by 1.6 per cent, for an annualised gain of 5.6 per cent; the UK Treasury later added that manufacturing output for the three months to April stood at a three year high.

Account Dealing Dates		
*First Dealings: May 16	Jun 6	Jun 20
Option Declarations: Jun 2	Jun 16	Jun 30
Last Dealings: Jun 3	Jun 17	Jul 1
Account Day: Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

Confidence was further encouraged by good trading statements from among others, Meyer International and Northern Foods. The market made steady progress, showing a gain of 38.4 at its mid-session peak.

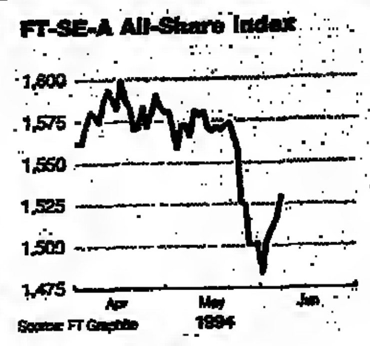
Seaq volume was very thin in the first hour but gathered pace significantly during the session. The final volume total of 591.7m shares showed a gain of 10 per cent over the figure for the previous day. Traders were confident that tha value of retail business, which will be disclosed today, will show improvement from the still dismal £936m recorded on Tuesday.

"A very positive day for equities," commented Mr Ian Harnett at Strauss Turnbull, "with clear signs that the market will now be driven by earnings and dividend growth." At Kleinwort Benson Securities, Mr Edmond Warner said that Mr Major's assurance on dividend policy was "very important. Probably worth 75 to 100 points on the Footsie". Mr Major's comments were regarded as a significant committal to the City of London and to the financial markets. Criticism of dividend-paying policies at British companies has been a restraining factor on the stock market over the past month.

Background factors across Europe were also favourable to equities. The modest reduction in money market repo rates in Germany was no surprise, hut favourable comments from both French and German central bankers also helped sentiment. A slight softening in the US dollar at the close chastened London.

● The FT-SE Actuaries Committee yesterday announced that GKN will join the list of FT-SE 100 Index components with effect from June 20, replacing Tarmac.

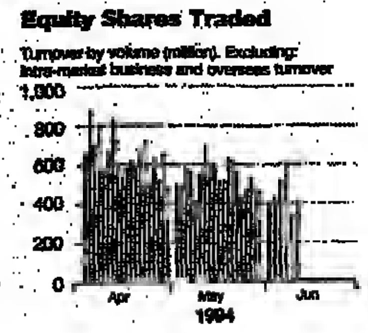
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3038.2	+33.4	FT Ordinary index	2411.9	+29.8
FT-SE Mid 250	3600.8	+23.2	FT-SE-A Non Fins p/e	19.45	(19.25)
FT-SE-A 350	1536.6	+15.3	FT-SE100 Fut Jun	3033.0	+37.0
FT-SE-A All-Share	1528.04	+13.94	10 yr Gilt yield	8.47	(8.62)
FT-SE-A All-Share yield	3.85	(3.89)	Long gilt/equity yld ratio:	2.23	(2.23)

Best performing sectors		Worst performing sectors	
1 Tobacco	+3.4	1 Oil, Integrated	-0.5
2 Extractive Inds	+2.1	2 Health Care	-0.3
3 Engineering, Vehicles	+1.6	3 Other Services & Bans	-0.3
4 Electronic & Elec Eqpt	+1.9	4 FT-SE SmallCap ex IT	-0.2
5 Telecommunications	+1.8	5 FT-SE SmallCap	-0.1

Trading boost for Racal

Electronics group Racal was tha market's most heavily traded stock and one of its best performers after the group accompanied its preliminary figures with an optimistic statement on future prospects.

The company's profits were affected by a near £20m write-down due to disposals and closure costs. But analysts and dealers focused on the company's optimism for the current year, particularly on profit margins, and a raft of profits upgrades are expected.

Racal shares raced up to 251p as the market digested the good news from the analysts meeting, bnt subseqnently came off their best to close a net 10 up at 248p. Turnover of 11m shares was the highest single-day's business in the stock since it's participation in Camelot, the consortium which won the race to control the UK's National Lottery.

Lasmo poised

The Enterprise Oil bid for Lasmo entered a crucial phase as the market braced itself for Lasmo's final defence document, expected possibly today, which will include a net asset valuation by independent oil consultants DeGolyer and MacNaughtoin.

Dealers said the market indicated Enterprise's bid would fail, hence the rise in Enterprise shares, which rallied 12 to 391p on keen turnover of 1m. Lasmo, meanwhile, hardened 1½ to 137p with turnover increasing significantly to reach 5.5m shares.

The latest fall in crude oil prices, to below the $16 a barrel mark, unsettled the oil sector, where BP fell 3 to 377p after heavy turnover of 9.4m shares and Shell eased to 698p on 4.9m traded.

Oil analysts were not unduly bearish of the oil sector. "Most of the downside pressure has already been exerted," said one.

Standard Chartered continued to outpace the rest of the banks sector with the market chasing the shares higher again ahead of a series of US presentations from Morgan Stanlay, the US investment bank. At the close Standard shares were another 9 higher at 271p after exceptionally heavy turnover of 7.7m shares.

News from the court hearing on the Lloyds Bank merger with the Cheltenham & Gloucester Building Society was not known during market hours. Lloyds closed the session 7 higher at 571p with marketmakers saying that a rejection of the proposed merger could lead to severe dowwnside pressure on Lloyds shares.

Abbey National, np 11 at 428p at the close and whose shares were badly affected by the Lloyds/C & G merger proposals as the market focused on increased competition in the mortgage market, were expected to rise sharply in the event the merger was hlocked. TSB jumped 9 to 219p as a number of short market positions were squeezed.

Preliminary figures from Hambros, the merchant bank, were initially well received and in line with market forecasts hut Hambros shares, which touched 317p immediately following the results, suhsequently dipped to close 8 down at 305p as institutions switched into S.G. Warburg. The latter raced up 14 to 729p. Kleinwort Benson shares were unaffected and edged up 3 to 458p.

London International Group fell 8½ to 90½p as the company announced pre-tax losses of £174.9m and a one-for-one rights issue.

The rights issue, which is at a price of 70p, had been well-flagged and the market had been braced for the figures.

Although the share price receded there was some optimism surrounding the stock, sparked by the belief that the company was finally putting its troubles behind it and had turned a corner. "There are good prospects for recovery. There is the feeling that this year has been a watershed for LIG," said Mr Nigel Barnes at Hoare Govett. Turnover was above average at 2.5m.

A settlement of £115m in the procedings brought by helicopter group Westland against the Arab Organisation for Industrialisation in France helped Westland's parent GKN rise 12 to 603p. Volume in the stock – which is to be included in the FT-SE 100 as a replacement for Tarmac – was 2.4m.

Results in line with market expectations saw Northern Foods gain 4 to 212p. Pre-tax profits for the year ended March 31 rose to £157.2m compared with £153.2m a year ago. Food manufacturing analysts downgraded their forecasts for the current year, mainly because of restructuring provisions.

Dealers said BZW had joined Strauss and Warburg in recommending Cadbury Schweppes, the shares scoring a sharp rise of 15 to 472p on turnover of 2.6m.

There was improved buisness in the food retailers with Sainshury gaining 9 to 393p on 4m traded, still boosted by the Yamaichi recommendation and Argyll ahead 3 at 236p on 4.7m. Kwik Save climbed 12 to 554p, while Iceland put on 5 to 143p.

The stores sector was largely subdued with dealers reporting little buying activity. MFI, the furniture group, was helped by a UBS buy recommendation, the shares gaining 2 to 158p. Boots was said to be given a push by Smith New Court, and the shares added 10 to 533p. Elsewhere, WH Smith saw its recent run come to an end as the shares drifted back 3 to 494p, similarly Kingfisher's recent bounce lost momentum, and the shares retreated 2 to 528p.

A recommended offer for Chiltern Radio, at 242p a share, sent the shares leaping 33 to 238p. Metro Radio, up 11 at 374p, and Scottish, ahead 20 at 585p, also excited interest.

Property company Argent Group made a successful market debut, being placed at 255p and ending the day at 266p.

A top of the range dividend from Meyer International saw the timber group's shares advance 18 to 453p. Amec were 6 firmer at 116p after the optimistic comments at the annual meeting.

A presentation by Guinness, said to be with James Capel, helped the shares add 9 to 477p.

Amersham, the chemicals group, continued to reflect the excellent figures released on Tuesday and subsequent profits upgrades, the shares closing 17 higher at 988p.

Shareholders at the Euro Disney agm were told that its FFr6bn rights issue would be priced at around 10Fr per share and would be launched shortly. The shares slid 10 to 405p. The company also cautioned that attendances for the second half of this year could be lower than the period in the previous year, although forecast that losses in the same period would be lower.

MARKET REPORTERS:
Steve Thompson,
Christine Buckley,
Christopher Price.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (98).
BANKS (6) Mitsubishi Tst. & Bk, Mitsui Tst. & Bk, Sumitomo Tst & Bk, Tokai, Yasuda Tst. & Bk., BUILDING & CNSTRN (1) Shorco, DISTRIBUTORS (1) Davenport Vernon, DIVERSIFIED INDLS (1) Mitsubishi, ELECTRNC & ELECT EQUP (7) ENGINEERING (2) Kobe Steel, Metsec, EXTRACTIVE INDS (9) FOOD MANUF (1) Trust, INSURANCE (1) American Intl, INVESTMENT TRUSTS (3) MEDIA (3) Chiltern Radio, Metro Radio Group, OIL EXPLORATION & PROD (2) Aran Energy, Crossroads Oil, PROPERTY (1) Prop. Partnership, RETAILERS, GENERAL (1) House of Fraser, SUPPORT SERVS (3) Admiral, Hewitt Whiting, Manpower, TEXTILES & APPAREL (1) Toray, AMERICANS (2)
NEW LOWS (114).
GILTS (2) BANKS (2) Anglo Irish, Deutsche, BUILDING & CNSTRN (2) BLDG MATLS & MCHTS (2) Pilkington, Do. Warrants, CHEMICALS (1) Scapa, DISTRIBUTORS (9) Caffyns, Headlam, DIVERSIFIED INDLS (6) ELECTRNC & ELECT EQUP (4) BICC Cap. Fin Bds 2020, Southern Business, Tunstall, Volex, ENGINEERING (10) EXTRACTIVE INDS (6) FOOD MANUF (1) Acatos & Hutcheson, GAS DISTRIBUTION (1) Calor, HEALTH CARE (4) Intercare, London Intnl, United Drug, Westminster Healthcare, HOUSEHOLD GOODS (2) Jayes, Relyon, INSURANCE (3) Heath (C.E.), Standa Ins, Sturge, INVESTMENT TRUSTS (11) INVESTMENT COMPANIES (2) LIFE ASSURANCE (1) Britannic, MEDIA (8) Aveaca, Elsevier, More O'Ferrall, Scottish TV, SelecTV, MERCHANT BANKS (2) Hambros, Do. Cnv. Prf., OIL EXPLORATION & PROD (5) Coplex Res, Hardy Oil & Gas, Villiers, OTHER FINANCIAL (5) OTHER SERVS & BUSNS (2) Cape Range, General Motors Ltd, Rodime, PHARMACEUTICALS (4) Chiroscience, Hafslund Nycomed A, Do. 'B', Proteus Intl, PRTNG, PAPER & PACKG (2) Jarvis Porter, RPC, PROPERTY (10) RETAILERS, GENERAL (3) Alexon, Menzies (J.), Sothebys Inc Class A, SPIRITS, WINES & CIDERS (1) Grand Met., SUPPORT SERVS (4) Davis Service, Holmes Protection, Mitie, OIS Intl. Inspection, TEXTILES & APPAREL (3) Atkins, Leslie Wise, Shard, TRANSPORT (1) Air London, AMERICANS (1) CANADIANS (1)

EQUITY FUTURES AND OPTIONS TRADING

Some confidence returned to equity derivatives, with several large-scale buyers pepping up the session, *Christine Buckley writes.*

The buyers, thought by some market watchers to be US-based, operated through the independent traders delivering a few large orders on the June contract on the FT-SE 100.

For the first time in recent sessions June traded at a premium to cash for large stretches of the day. The contract had started on a healthy note - opening just one point short of the cash index. June has suffered poor fortunes in recent days, usually trading at a substantial discount to cash.

Volume jumped to 21,207 contracts reflecting the arrival of buying interest.

But derivatives traders were reluctant to speak of a sustained rally, suspecting that investors remained nervous.

The contract closed at 3,032, six points behind cash after having traded in a bend of over 50 points.

Traded options were also more enlivened at 31,418 lots with index options again the biggest feature, accounting for more than half of the trade. A calendar spread was said to have been conducted in National Power with 500 June puts sold and 500 September puts bought.

British Gas was the most heavily traded of the stock options at 1,770 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3003.0	3033.0	+37.0	3048.0	2992.0	21207	43256
Sep	3014.5	3045.0	+37.0	3057.0	3005.0	4154	17788
Dec	3085.0	3054.0	+37.0	3085.0	3065.0	50	252

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3585.0	3585.0	+25.0	3585.0	3585.0	124	3612
Sep	3600.0	3600.0	+26.0	3600.0	3600.0	124	1295

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3585.0					771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3039) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Jun	188	2	140	3½	94	8½	51	17½	22½	40½	7	78	2	123	½	172
Jul	201½	14	158½	21	120½	33½	87	50½	58	73	38	103	22½	139	12	180½
Aug	224	31	183½	42½	128½	60	115½	75½	88½	98½	65	125	46	156½	31	194
Sep	237	45½	209½	58	164	71½	134	80	109½	111	80	138	57½	167	42	202½
Dec†			234½	88			176½	127½			125½	174			81½	231½

Calls 4,790 Puts 12,708

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	3,200	56¾	+1¼
Abbey National†	3,100	428	+11
Albert Fisher	495	65	
Allied-Lyons†	5,700	667	-8
Anglian Water	853	490	+3
Argos	280	350	+1
Argyll Group†	5,000	236	+3
Arjo Wiggins†	526	274	
Assoc. Brit. Foods†	480	631	+7½
Assoc. Brit. Ports	1,200	251	+6
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	6	8
Other Fixed Interest	3	0	12
Mineral Extraction	55	50	96
General Manufacturers	182	134	347
Consumer Goods	63	34	94
Services	133	90	286
Utilities	26	9	11
Financials	94	55	225
Investment Trusts	168	27	275
Others	32	54	47
Totals	816	459	1399

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 23	Last Declarations	Sept. 1
Last Dealings	June 10	For settlement	Sept. 12

Calls: Allied Leisure, Cons. Murch., Navan Res., Tepnel Diag., Tullow Oil Puts & Calls: Bluebird Toys, Glaxo, Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
255	F.P.	146.0	267	258	Argent	266		-	-	-	-
100	F.P.	44.1	100	100	Automotive Precs	108		LN4.0	0.8	4.6	35.6
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
[illegible]							
120	Nil	6/7	28pm	16½pm	Dawson Intl	19pm	+2
180	Nil	20/7	23pm	8pm	Dixon Motors	8pm	-2
285	Nil	-	65pm	36pm	Eurotunnel	56pm	-1
185	Nil	11/7	25pm	11pm	Headlam	11pm	-2
105	Nil	20/7	1¾pm	1pm	Higgs & Hill	1pm	-½
230	Nil	-	34pm	23pm	Jarvis Porter	23pm	-1
205	Nil	18/7	28pm	16pm	McAlpine (A)	16pm	-1
80	Nil	4/7	11pm	3pm	Pelican	3pm	-2
24	Nil	-	12pm	10pm	Unit	12pm	
125	Nil	4/7	23pm	16pm	VTR	16pm	

FT GOLD MINES INDEX

[illegible]

FINANCIAL TIMES EQUITY INDICES

	June 8	June 7	June 6	June 3	June 2	Yr ago	*High	*Low
Ordinary Share	2411.9	2382.1	2387.6	2379.9	2364.5	2240.5	2713.6	2321.2
Ord. div. yield	4.19	4.22	4.21	4.22	4.25	4.13	4.32	3.43
Earn. yld. % full	5.62	5.62	5.61	5.62	5.61	5.25	5.76	3.82
P/E ratio net	19.04	19.04	19.08	19.05	19.14	24.01	33.43	18.59
P/E ratio nil	19.67	19.69	19.72	19.69	19.71	22.40	30.80	18.18

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2383.3	2387.0	2390.4	2405.6	2409.8	2412.0	2413.7	2412.7	2412.7	2414.0	2380.3

	June 8	June 7	June 6	June 3	June 2	Yr ago
SEAQ bargains	22,979	21,269	22,112	31,492	26,144	28,043
Equity turnover (£m)†	-	936.0	764.1	1243.3	1161.8	1464.4
Equity bargains†	-	24,088	24,102	33,508	30,073	32,976
Shares traded (ml)†	-	418.8	341.0	609.0	518.1	613.4

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or –	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.1	ϕ
ANZ A$		[illegible]	[illegible]	[illegible]	[illegible]	2,589	4.5	15.9
Abbey National	N☐	428	+11	528	381	5,615	4.1	14.4
Allied Irish I£	♣N☐	248	—	314	240	1,694	5.1	5.6
Anglo Irish I£	♣N☐	[illegible]	−1	[illegible]	50	172.1	3.9	8.1
Asahi Y		[illegible]	[illegible]	[illegible]	[illegible]	17,280	0.6	ϕ
Banco Bil Viz Pts		[illegible]	[illegible]	[illegible]	[illegible]	3,021	5.2	7.1
Banco Sant Pts		[illegible]	[illegible]	[illegible]	[illegible]	2,968	5.1	ϕ
Bk Ireland I£	♣N☐	[illegible]	—	[illegible]	248	1,225	4.8	ϕ
Bank Scotland	♣N☐	[illegible]	+4	247	172½	2,271	3.2	15.9
9¼pc Pf		[illegible]	[illegible]	141½	114½	116.8	8.8	–
9¾pc Pf		122¼	+¼	149½	119¼	122.2	13.9	–
Barclays	♣N☐	549	[illegible]	[illegible]	487	[illegible]	3.4	22.7
Dai Ichi Kan Y		[illegible]	[illegible]	[illegible]	[illegible]	40,205	0.4	71.2
Deutsche DM		[illegible]	[illegible]	[illegible]	[illegible]	13,939	2.1	–
Espirito Santo		[illegible]	—	[illegible]	[illegible]	207.8	4.1	4.7
First Nat Fin	N☐	75	+1	[illegible]	60	124.4	2.5	–
6.3pc Cv Pf		[illegible]	+1	[illegible]	77	5.38	8.8	–
7pc Cv Pf		[illegible]	—	171	123	[illegible]	6.2	–
Fuji Bank Y		1520	+50½	[illegible]	1152½	44,095	0.4	ϕ
HSBC HK	N☐	742	+19	1123	697	13,029	4.0	12.5
HSBC (75p Shs)	N☐	[illegible]	+11	1113	695	8,100	4.1	13.0
Lloyds	N☐	571	+7	[illegible]	530	7,305	4.8	12.1
Mitsubishi Y		[illegible]	[illegible]	[illegible]	[illegible]	50,513	3.0	ϕ
Mits Tst & Bk Y		1151¼	[illegible]	[illegible]	687½	14,993	8.4	18.5
Mitsui Tst & Bk Y		[illegible]	+44½	[illegible]	514	10,316	6.8	29.3
Nat Aust A$	†	546	[illegible]	[illegible]	[illegible]	7,308	4.4	13.0
NatWest	N☐	473	+3	622	421	7,870	4.9	16.8
Ottomane FFr		[illegible]	—	[illegible]	[illegible]	117.8	6.2	ϕ
Ryl Bk Scotland	♣†N☐	415xd	+7	528	382½	3,307	3.0	18.3
Sakura Y		[illegible]	[illegible]	[illegible]	[illegible]	30,554	3.9	57.8
Sanwa Y		[illegible]	[illegible]	[illegible]	[illegible]	42,091	8.4	ϕ

CHEMICALS

DISTRIBUTORS

BREWERIES

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

BUILDING MATS. & MERCHANTS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

LIFE ASSURANCE

AMERICANS

MEDIA

OTHER SERVICES & BUSINESSES

OTHER INVESTMENT TRUSTS

CANADIANS

TELECOMMUNICATIONS

INVESTMENT COMPANIES

PHARMACEUTICALS

TEXTILES & APPAREL

RETAILERS, FOOD

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

RETAILERS, GENERAL

LEISURE & HOTELS

TOBACCO

TRANSPORT

PROPERTY

OIL, INTEGRATED

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Toronto-Dom		19½	+⅛	11¾	9⅔	3,159	3.9	
Trans Can Pipe	♥	8⅞	-⅛	10⅛	8⅔	1,500	5.0	

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		826½	—	826½	613½	1,692	2.8	19.4
Barlow		65⅞	—	65½	63⅔	1,055	6.1	9.7
Gold Flds Prop R		101	—	105	76	18.8	9.9	9.0
NK Props	‡	89	—	95	87	3.62	9.9	37.6
SASOL	♥	337	—	362	280	1,809	4.6	—
SA Brews		£13⅓xd	—	£15⅓	110	7,053	2.1	21.6
Tiger Oats	†	679xd	—	838	538	1,014	2.3	14.3
Tongaat-Hulett	†	691	—	697	434	617.2	2.2	10.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
s Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§ -

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc - Contd.

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

Sun Alliance Group - Contd.

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Brown scares dollar

Comments from Mr Ron Brown, the US commerce secretary, livened up an otherwise quiet day on the foreign exchanges yesterday, *write Philip Gawith and Motoko Rich.*

Speaking in Paris, Mr Brown told reporters that there was a "serious problem" in the bilateral relationship between the US and Japan. His remarks caused the dollar to fall by nearly 60 basis points against the yen, to Y103.60, and by about 30 basis points against the D-Mark, to DM1.6680.

It later recovered to close in London at Y104.030 and DM1.6698. On Tuesday it closed at Y105.235 and DM1.6695.

In the UK sterling finished virtually unchanged at DM2.5163 against the D-Mark from DM2.5159 as European election worries offset a strong set of production figures.

Elsewhere concerns about a possible "no" vote in Sunday's Austrian referendum, on joining the European Union, weighed on the Swedish krona. Sweden is also hoping to join the EU.

In Germany the Bundesbank cut the repo rate by five basis points to 5.10 per cent, while the Belgian central bank lowered its central rate to 5.10 per cent.

■ Although the dollar finished the day firm, the market's skittish response to Mr Brown's comments showed residual nervousness about the US currency. Coming the day after a combative statement from Mr Mickay Kantor, the US trade representative, it aroused fears that the Administration might not have fully shaken off its "dollar debasement" policy.

Mr Peter Luxton, economist at Barclays, said the officials' comments reminded the markets they had overestimated the "apparent relaxed attitude" of the US administration on trade with Japan. "The markets got over euphoric over the past couple of weeks," he said. "But tha super 301 locomotive is still rolling slowly through and everything is not all hunky dory."

Supporting a bearish case for the dollar were reports that most Japanese traders who attended last week's Forex 94 conference in London were gloomy on dollar/yen. Mr David Sumners, a managing director at Morgan Stanley in London, said there was a feeling that Japanese exporters still had lots of dollars to sell, that short term speculators were all long dollars, and that the trade surplus would not disappear in a hurry.

But Ms Jane Edwards, international economist at Lehman Brothers in London, said real interest rate differentials between the dollar and the D-Mark could offer support to tha US currency in coming weeks. She said there were increasing stories of money flowing out of European bonds into US Treasury bonds, and this capital inflow should lend support to the dollar.

Underpinning these flows is the fact that Treasury bond yields remain fairly high, while 2nd quarter data on tha demand side suggests the US economy might be slowing towards a non-inflationary rate of growth. If this is correct, US bond yields could fall and this would encourage a capital inflow.

■ In Europe the main focus of attention was the upcoming Austrian referendum. Concern that the Austrians might vote no has caused the Swedish krona to weaken recently. Yesterday, however, the Swedish currency finished virtually unchanged against the D-Mark at SKr4.754 from SKr4.755.

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said the referendum should have "very little direct implications" on the European currency markets.

But Mr Luxton said fears of a "no" vote in Austria were already making the Swedish krona vulnerable. He added that in anticipation of poor Swedish inflation figures released today, the markets had "geared up for a bit of a sell off in the Swedish krona".

To some extent, though, the markets were knocking on an open door. The krona was already weak on market fears that the government, faced with an election in September, would not be able to apply the requisite mix of fiscal and monetary policies.

Analysts say a fiscal tightening is necessary to curb the 10 per cent budget deficit, but this needs to be accompanied by lower interest rates if the recovery is not be snuffed out. The government, however, finds itself boxed in because it is difficult to cut rates against the backdrop of a weakening currency.

Ms Edwards comments: "I don't see a way out that is under the control of the Swedes at the moment."

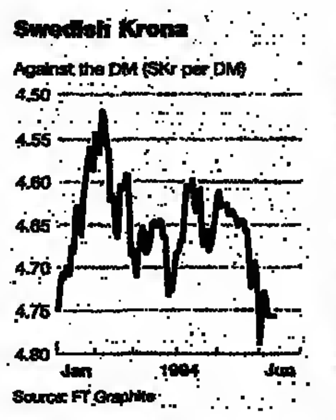
■ The futures markets were calmer after their recent gyrations. The December short sterling contract traded 29,000 lots to finish at 93.79 from 93.78. The December euromark contract closed at 94.81 from 94.73.

German call money rates eased to 5.05/5.15 per cent from 5.10/5.20 per cant after the repo. Traders are not, however, expecting any shift in official rates at today's Bundesbank council meeting.

In the UK money markets the Bank of England provided £357m liquidity to the market after forecasting a shortage of £350m. The overnight rate moved between 4 per cent and 5¼ per cent.

Swedish Krona

Against the DM (SKr per DM)



Source: FT Graphite

■ Pound in New York

Jun 8	—Latest—	— Prev. close —
£ spot	1.5095	1.5085
1 mth	1.5086	1.5086
3 mth	1.5072	1.5072
1 yr	1.5012	1.5014

■ OTHER CURRENCIES

Jun 8	£	$
Hungary	156.289 - 158.448	103.730 - 103.780
Iran	2628.00 - 2636.00	1746.00 - 1750.00
Kuwait	0.4485 - 0.4500	0.2977 - 0.2985
Poland	34137.2 - 34310.7	22680.0 - 22760.0
Russia	2920.57 - 2928.58	1938.00 - 1942.00
U.A.E.	5.5270 - 5.5383	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7080	+0.0271	984 - 176	17.7190	17.6764	17.7042	0.3	17.6966	0.2	-	-	113.7
Belgium	(BFr)	51.7934	+0.0174	543 - 324	51.8520	51.7060	51.7834	0.2	51.8284	-0.3	51.6534	0.3	114.9
Denmark	(DKr)	9.8336	-0.0138	261 - 410	9.8579	9.8261	9.8414	-1.0	9.8542	-0.8	9.8552	-0.2	115.4
Finland	(FM)	8.3267	-0.0149	162 - 371	8.3520	8.3162	-	-	-	-	-	-	80.6
France	(FFr)	8.5758	-0.0018	687 - 814	8.5898	8.5664	8.58	-0.6	8.5848	-0.4	8.5637	0.1	108.3
Germany	(DM)	2.5163	+0.0004	151 - 175	2.5234	2.5109	2.5165	-0.1	2.5163	0.0	2.5001	0.6	123.2
Greece	(Dr)	375.771	+0.603	420 - 121	376.121	375.036	-	-	-	-	-	-	-
Ireland	(I£)	1.0246	-	236 - 256	1.0256	1.0217	1.0251	-0.6	1.0263	-0.7	1.0281	-0.3	104.3
Italy	(L)	2439.84	+0.76	827 - 140	2444.96	2436.71	2445.74	-2.9	2455.49	-2.6	2493.59	-2.2	77.3
Luxembourg	(LFr)	51.7934	+0.0174	543 - 324	51.8520	51.7060	51.7834	0.2	51.8284	-0.3	51.6534	0.3	114.9
Netherlands	(Fl)	2.8204	+0.0008	187 - 220	2.8239	2.8141	2.8199	0.2	2.8208	0.0	2.8014	0.7	118.8
Norway	(NKr)	10.8972	-0.0007	909 - 034	10.9169	10.8866	10.8915	0.6	10.9041	-0.3	10.8952	0.0	85.5
Portugal	(Es)	261.465	+0.904	227 - 702	262.612	260.518	262.44	-4.5	264.385	-4.5	-	-	-
Spain	(Pta)	205.970	-0.075	788 - 181	206.410	205.808	206.475	-2.9	207.37	-2.7	210.04	-2.0	85.2
Sweden	(SKr)	11.9666	+0.0006	569 - 762	12.0090	11.9443	11.9896	-2.3	12.0246	-1.9	12.1226	-1.3	75.2
Switzerland	(SFr)	2.1309	-0.0023	294 - 324	2.1349	2.1281	2.1294	0.8	2.1268	0.8	2.1024	1.3	116.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.5
Ecu	-	1.3035	-0.0001	026 - 043	1.3061	1.3021	1.3047	-1.1	1.3067	0.9	1.3014	0.2	-
SDR†	-	0.936520	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5051	+0.0009	045 - 057	1.5089	1.5045	-	-	-	-	-	-	-
Brazil	(Cr)	3062.80	+63.62	177 - 383	3087.00	3032.00	-	-	-	-	-	-	-
Canada	(C$)	2.0725	+0.006	714 - 736	2.0771	2.0692	2.0732	-0.6	2.0774	-0.9	2.0914	-0.9	87.3
Mexico	(New Peso)	5.0515	+0.0151	423 - 607	5.0607	5.0423	-	-	-	-	-	-	-
USA	($)	1.5070	-	065 - 075	1.5125	1.5065	1.5061	0.7	1.5048	0.6	1.4985	0.6	65.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0550	+0.0028	536 - 563	2.0581	2.0509	2.0548	0.4	2.0527	0.4	2.0517	0.2	-
Hong Kong	(HK$)	11.6517	+0.0045	471 - 563	11.6819	11.6471	11.6436	0.8	11.6398	0.4	11.6666	-0.1	-
India	(Rs)	47.2727	-0.0019	514 - 940	47.4400	47.2514	-	-	-	-	-	-	-
Japan	(Y)	156.774	-1.815	646 - 901	158.050	156.646	156.369	3.1	155.564	3.1	151.449	3.4	186.2
Malaysia	(M$)	3.9042	-0.0061	021 - 062	3.9240	3.9021	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5515	+0.0052	491 - 538	2.5594	2.5491	2.5508	0.3	2.5544	-0.4	2.5609	-0.4	-
Philippines	(Peso)	40.9905	+0.0753	755 - 055	41.3055	40.8750	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6517	-0.0003	494 - 539	5.6722	5.6494	-	-	-	-	-	-	-
Singapore	(S$)	2.3087	-0.0009	072 - 102	2.3171	2.3072	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4576	-0.0004	535 - 617	5.4677	5.4535	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2035	-0.0256	660 - 209	7.2333	7.1860	-	-	-	-	-	-	-
South Korea	(Won)	1214.87	-0.08	439 - 535	1219.23	1214.39	-	-	-	-	-	-	-
Taiwan	(T$)	40.8107	-0.0105	923 - 291	40.8300	40.7923	-	-	-	-	-	-	-
Thailand	(Bt)	38.0218	-0.0151	939 - 493	38.1330	37.9939	-	-	-	-	-	-	-

†SDR rate for Jun 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.7505	+0.018	480 - 530	11.7530	11.7070	11.758	-0.8	11.7615	-0.4	11.6863	0.6	103.1
Belgium	(BFr)	34.3685	+0.0115	540 - 830	34.3940	34.2580	34.398	-1.0	34.4435	-0.9	34.4585	-0.3	104.5
Denmark	(DKr)	6.5263	-0.0091	225 - 280	6.5319	6.5157	6.5341	-1.6	6.5508	-1.5	6.5791	-0.8	104.1
Finland	(FM)	5.5253	-0.0089	202 - 304	5.5354	5.5068	5.5286	-0.7	5.5353	-0.7	5.5578	-0.5	75.4
France	(FFr)	5.6905	-0.001	885 - 925	5.6925	5.6746	5.6968	-1.3	5.7055	-1.1	5.668	0.4	104.7
Germany	(D)	1.6698	+0.0008	695 - 700	1.6705	1.6634	1.671	-0.8	1.6723	-0.6	1.6684	0.1	104.9
Greece	(Dr)	249.350	+0.4	200 - 500	249.500	248.500	250.7	-6.5	251.55	-3.5	253.85	-1.8	69.4
Ireland	(I£)	1.4709	-	699 - 716	1.4770	1.4699	1.4692	1.3	1.4663	1.2	1.4598	0.8	-
Italy	(L)	1619.00	+0.5	850 - 950	1619.50	1615.00	1623.9	-3.6	1631.95	-3.2	1663.55	-2.8	78.0
Luxembourg	(LFr)	34.3685	+0.0115	540 - 830	34.3940	34.2580	34.398	-1.0	34.4435	-0.8	34.4585	-0.3	104.5
Netherlands	(Fl)	1.8715	+0.0005	710 - 720	1.8720	1.8639	1.8728	-0.9	1.8743	-0.6	1.8689	0.1	104.1
Norway	(NKr)	7.2311	-0.0004	293 - 328	7.2350	7.2117	7.2349	-0.6	7.2418	-0.6	7.2073	0.3	95.6
Portugal	(Es)	173.500	+0.8	400 - 600	173.960	172.900	174.805	-9.7	176.9	-7.8	181.85	-4.8	92.4
Spain	(Pta)	136.675	-0.05	600 - 750	136.750	136.300	137.095	-3.7	137.82	-3.4	140.125	-2.5	80.6
Sweden	(SKr)	7.9407	+0.0004	369 - 444	7.9592	7.9091	7.9584	-2.7	7.9892	-2.4	8.0807	-1.8	80.6
Switzerland	(SFr)	1.4146	-0.0015	135 - 146	1.4145	1.4088	1.414	0.0	1.4143	-0.1	1.4038	0.7	104.4
UK	(£)	1.5070	-	065 - 075	1.5125	1.5065	1.5061	0.7	1.5048	0.6	1.4985	0.6	89.1
Ecu	-	1.1582	+0.0002	558 - 565	1.1593	1.1556	1.1544	1.8	1.1519	1.6	1.1642	-0.7	-
SDR†	-	1.40777	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9988	+0.0006	987 - 988	0.9988	0.9981	-	-	-	-	-	-	-
Brazil	(Cr)	2045.66	+35.58	565 - 566	2045.70	2045.65	-	-	-	-	-	-	-
Canada	(C$)	1.3753	+0.004	750 - 756	1.3762	1.3720	1.3771	-1.6	1.3806	-1.5	1.3957	-1.5	84.1
Mexico	(New Peso)	3.3520	+0.01	470 - 570	3.3570	3.3450	3.353	-0.4	3.3548	-0.3	3.3622	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3636	+0.0016	631 - 641	1.3641	1.3583	1.3639	-0.3	1.364	-0.1	1.3677	-0.3	88.6
Hong Kong	(HK$)	7.7317	+0.003	312 - 322	7.7322	7.7280	7.7312	0.1	7.7337	-0.1	7.7479	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	104.030	-1.205	980 - 080	104.410	103.850	103.825	2.4	103.375	2.6	101.07	2.8	146.4
Malaysia	(M$)	2.5907	-0.004	902 - 912	2.6000	2.5880	2.5832	3.5	2.5787	1.7	2.6107	-0.8	-
New Zealand	(NZ$)	1.6931	+0.0035	920 - 941	1.6958	1.6909	1.695	-1.3	1.6996	-1.5	1.7213	-1.7	-
Philippines	(Peso)	27.2000	+0.05	000 - 000	27.4000	26.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	500 - 505	3.7505	3.7500	3.7509	-0.2	3.7529	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5320	-0.0006	315 - 325	1.5327	1.5300	1.5313	0.6	1.531	0.3	1.533	-0.1	-
S Africa (Com.)	(R)	3.6215	-0.0003	200 - 230	3.6230	3.6133	3.637	-5.1	3.6653	-4.8	3.742	-3.3	-
S Africa (Fin.)	(R)	4.7800	-0.017	700 - 900	4.7950	4.7700	4.8137	-8.5	4.8725	-7.7	-	-	-
South Korea	(Won)	806.150	-0.05	100 - 200	806.400	806.100	808.15	-4.5	812.65	-3.2	831.15	-3.1	-
Taiwan	(T$)	27.0806	-0.007	775 - 840	27.1085	27.0775	27.1008	-0.9	27.1408	-0.9	-	-	-
Thailand	(Bt)	25.2300	-0.01	200 - 400	25.2400	25.2100	25.3025	-3.4	25.43	-3.2	25.92	-2.7	-

†SDR rate for Jun 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 7. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.99	16.56	4.858	1.977	4709	5.446	21.03	504.7	397.8	23.09	4.113	1.931	4.001	2.910	302.8	2.518
Denmark	(DKr)	52.67	10	8.721	2.559	1.041	2480	2.868	11.07	265.8	209.4	12.16	2.166	1.017	2.107	1.533	159.4	1.325
France	(FFr)	60.40	11.47	10	2.934	1.194	2844	3.289	12.70	304.8	240.1	13.95	2.484	1.166	2.415	1.757	182.7	1.520
Germany	(DM)	20.58	3.908	3.408	1	0.407	969.4	1.121	4.328	103.9	81.84	4.754	0.847	0.397	0.824	0.599	62.28	0.518
Ireland	(I£)	50.58	9.603	8.374	2.457	1	2382	2.754	10.63	255.3	201.1	11.68	2.080	0.977	2.023	1.472	153.0	1.272
Italy	(L)	2.123	0.403	0.352	0.103	0.042	100.	0.116	0.446	10.72	8.442	0.490	0.087	0.041	0.085	0.062	6.425	0.053
Netherlands	(Fl)	18.37	3.487	3.041	0.892	0.363	864.9	1	3.862	92.70	73.01	4.241	0.755	0.355	0.735	0.534	55.57	0.462
Norway	(NKr)	47.56	9.029	7.874	2.310	0.940	2240	2.590	10	240.0	189.1	10.98	1.956	0.918	1.903	1.384	143.9	1.197
Portugal	(Es)	19.81	3.762	3.280	0.963	0.392	933.1	1.079	4.166	100.	78.77	4.575	0.815	0.383	0.793	0.577	59.95	0.498
Spain	(Pta)	25.15	4.770	4.165	1.222	0.497	1185	1.370	5.289	127.0	100.	5.809	1.034	0.486	1.006	0.732	76.15	0.633
Sweden	(SKr)	43.30	8.222	7.170	2.104	0.856	2039	2.358	9.105	218.6	172.2	10	1.781	0.836	1.732	1.260	131.0	1.089
Switzerland	(SFr)	24.31	4.615	4.026	1.181	0.481	1145	1.324	5.113	122.7	96.67	5.615	1	0.469	0.973	0.708	73.57	0.612
UK	(£)	51.79	9.833	8.575	2.516	1.024	2439	2.820	10.89	261.4	205.9	11.96	2.130	1	2.072	1.507	156.7	1.303
Canada	(C$)	25.00	4.746	4.139	1.214	0.494	1177	1.361	5.256	126.2	99.37	5.772	1.028	0.483	1	0.727	75.63	0.629
US	($)	34.37	6.525	5.690	1.670	0.679	1615	1.871	7.226	173.5	136.6	7.936	1.413	0.664	1.375	1	104.0	0.865
Japan	(Y)	330.5	62.75	54.72	16.06	6.536	15565	18.00	69.50	1668	1314	76.32	13.59	6.382	13.22	9.617	1000.	8.315
Ecu		39.75	7.546	6.581	1.931	0.786	1872	2.164	8.358	200.6	158.0	9.179	1.635	0.767	1.590	1.157	120.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6000	0.5983	-0.0013	0.6004	0.5983	13,460	104,341
Sep	0.5993	0.5979	-0.0010	0.6002	0.5977	32,518	38,572
Dec	0.5983	0.5984	-0.0006	0.5984	0.5983	378	605

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9601	0.9594	-0.0012	0.9623	0.9586	21,961	38,234
Sep	0.9655	0.9658	-0.0015	0.9665	0.9645	41,629	44,150
Dec	0.9730	0.9746	+0.0013	0.9746	0.9730	116	1,257

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7084	0.7076	+0.0002	0.7091	0.7075	5,057	27,103
Sep	0.7080	0.7080	+0.0002	0.7096	0.7076	15,853	28,572
Dec	0.7095	0.7095	+0.0007	0.7100	0.7095	104	424

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5100	1.5076	-0.0006	1.5112	1.5076	4,978	28,999
Sep	1.5076	1.5052	-0.0006	1.5096	1.5046	10,622	16,282
Dec	-	1.5044	-0.0006	-	-	64	117

EMS EUROPEAN CURRENCY UNIT RATES

Jun 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.787443	+0.00125	-2.62	7.08	18
Netherlands	2.19672	2.16736	-0.00102	-1.34	5.67	-
Belgium	40.2123	39.8052	-0.0009	-1.01	5.32	7
Germany	1.94964	1.93366	-0.00049	-0.82	5.11	-
France	6.53883	6.58302	-0.0006	0.83	3.40	-7
Denmark	7.43679	7.56728	-0.00143	1.75	2.46	-12
Spain	154.250	158.502	+0.1	2.76	1.48	-19
Portugal	192.854	201.056	+0.645	4.25	0.00	-29
NON ERM MEMBERS						
Greece	264.513	286.889	+0.687	8.22	-4.54	-
Italy	1793.18	1875.91	+3	4.61	-0.34	-
UK	0.786749	0.768452	-0.000357	-2.33	5.74	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.425	5.15	8.05	8.02	-	-	0.02
1.450	5.73	5.65	5.75	-	0.18	0.15
1.475	3.24	3.36	3.68	-	0.62	0.59
1.500	0.85	1.56	2.08	0.02	2.25	1.41
1.525	-	0.49	0.99	1.62	4.28	2.75
1.550	-	0.06	0.39	4.06	6.65	4.63

Previous day's vol., Calls 8,[illegible] Puts 6,240 . Prev. day's open int., Calls [illegible] Puts [illegible]

WORLD INTEREST RATES

MONEY RATES

June 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.80	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.80	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	-	6.75
Germany	5.10	5.15	5.05	5.05	5.15	6.00	4.50	5.15
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	4.50	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.00	7.80
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.00	7.85
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.15	4.36	4.67	5.21	-	-	-
week ago	-	4.18	4.46	4.85	5.48	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

[illegible]

EURO CURRENCY INTEREST RATES

Jun 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.41	94.45	+0.03	94.46	94.41	9,306	30,191
Sep	94.46	94.50	+0.06	94.51	94.45	15,650	48,760
Dec	94.25	94.32	+0.07	94.33	94.25	11,862	34,344
Mar	94.01	94.08	+0.07	94.09	94.00	5,620	33,446

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.42	95.42	+0.01	95.43	95.42	250	6906
Sep	94.98	94.99	+0.04	94.99	94.96	270	2015
Dec	94.40	94.46	+0.04	94.46	94.40	145	1669
Mar	94.05	94.07	+0.01	94.15	94.05	50	1058

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.92	94.90	+0.02	94.92	94.88	13965	134182
Sep	94.92	94.97	+0.05	94.97	94.91	29155	183268
Dec	94.75	94.81	+0.08	94.81	94.73	48003	210459
Mar	94.54	94.61	+0.06	94.61	94.49	34464	202002

■ THREE MONTH EUROLIRA INT RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.20	92.18	+0.02	92.22	92.17	3416	29245
Sep	92.07	92.07	+0.01	92.15	92.00	6250	41980
Dec	91.79	91.82	+0.03	91.86	91.72	3701	20588
Mar	91.45	91.49	+0.02	91.52	91.40	676	12483

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.87	95.89	+0.03	95.89	95.86	1726	17294
Sep	95.56	95.60	+0.05	95.63	95.56	3339	22054
Dec	95.37	95.40	+0.06	95.44	95.37	601	7773
Mar	95.22	95.22	+0.05	95.25	95.20	259	5142

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.63	94.63	+0.02	94.65	94.63	813	7545
Sep	94.07	94.09	+0.06	94.09	94.06	813	11950
Dec	93.92	93.95	+0.05	93.96	93.91	213	7799
Mar	93.72	93.75	+0.05	93.75	93.68	287	3297

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.41	95.42	+0.01	95.44	95.41	42,871	315,314
Sep	94.84	94.92	+0.05	94.93	94.84	80,882	401,416
Dec	94.21	94.31	+0.06	94.32	94.21	142,482	393,262

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.82	95.82	+0.02	95.83	95.82	1,574	10,689
Sep	95.34	95.37	+0.07	95.37	95.34	1,234	16,577
Dec	94.81	94.83	+0.06	94.83	94.81	245	6,901

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Jul	Aug	Sep	PUTS Jun	Jul	Aug	Sep
9475	0.18	0.25	0.29	0.29	0	0.03	0.06	0.07
9500	0	0.09	0.12	0.14	0.10	0.12	0.15	0.17
9525	0	0.02	0.04	0.05	0.35	0.30	0.32	0.34

Est. vol. total, Calls 6039 Puts 4462. Previous day's open int., Calls 277437 Puts 199962

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9575	0.20	0.22	0.23	0.01	0.12	0.46
9600	0.01	0.11	0.13	0.07	0.26	0.61
9625	0	0.04	0.08	0.28	0.44	0.83

Est. vol. total, Calls 0 Puts 500. Previous day's open int., Calls 619 Puts 3749

UK INTEREST RATES

LONDON MONEY RATES

Jun 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 4	4⅞ - 4⅝	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3½	3½	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.7891pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Scheme II & III: 6.56pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Scheme IV & V 5.225pc. Finance House Base Rate 6pc from June 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.75	94.77	+0.03	94.78	94.75	5990	68368
Sep	94.40	94.40	+0.01	94.45	94.36	8499	97450
Dec	93.80	93.79	+0.01	93.85	93.75	29133	106101
Mar	93.13	93.14	+0.01	93.19	93.05	8174	55222

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9475	0.04	0.04	0.05	0.02	0.30	1.01
9500	0	0.01	0.02	0.23	0.61	1.23
9525	0	0	0	0.48	1.01	1.65

Est. vol. total, Calls 4507 Puts 3077. Previous day's open int. Calls 222608 Puts 177893

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	•Smith & Williamson Secs	5.25
•Henry Ansbacher	5.25	•Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	•United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	•Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	•Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	•Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
•Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25	• Members of British Merchant Banking & Securities Houses Association	
CL Bank Nederland	5.25	•Leopold Joseph & Sons	5.25	* In administration	
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	•Mount Banking	5.25		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	•Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, June 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	19.8m	787	+15	Hitachi	8.3m	1100	+20
Oki Electric	17.5m	740	+32	Kawasaki Steel	7.5m	417	+13
Fujitsu	9.5m	1150	+50	Nippon Steel	7.2m	365	+7
Iseki	9.3m	462	+29	Sanyo Electric	7.2m	578	+18
M'bishi Electric	8.8m	710	+18	Toshiba	6.7m	842	+13

INDICES

US INDICES

DJ Ind. Day's High 3788.52 (3812.88) Low 3733.14 (3748.75) (Theoretical♦)
Day's High 3773.14 (3793.45) Low 3752.22 (3768.52) (Actual♦)

■ RATIOS

	Jun 3	May 27	May 20	Year ago
Dow Jones Ind. Div. Yield	2.88	2.89	2.89	2.91
	Jun 1	May 25	May 18	Year ago
S & P Ind. Div. yield	2.47	2.48	2.48	2.46
S & P Ind. P/E ratio	23.41	23.41	24.06	25.90

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	457.85	459.55	+1.80	460.00	457.55	73,032	149,226
Sep	-	461.80	+1.55	461.90	461.30	23,601	84,497
Dec	-	464.05	-	464.05	-	281	8,257

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	2005.0	2031.0	+25.0	2045.0	2006.0	30,890	51,532
Jul	2005.0	2027.5	+24.5	2038.0	2005.0	1,618	2,600
Sep	2022.5	2045.5	+25.0	2054.5	2022.5	2,486	16,575

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Chrysler	4,347,700	45½	-⅛
Telefonos	3,201,400	62¼	-1
Pepsico	2,694,700	34⅞	+¼
Compaq	2,628,100	108⅞	-1⅞
Merck	2,543,000	31	+⅛
Philip Morris	2,538,900	50⅝	-⅛
Texas Util	2,492,200	32⅛	-¼
Gen Motors	2,359,000	50⅛	-⅜
Citicorp	2,222,900	40⅝	+⅜
Wal-Mart	2,071,500	24	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Jun 7	Jun 6	Jun 3
New York SE	234.179	259.078	279.381
Amex	16.470	14.018	18.200
NASDAQ	255.548	266.358	279.002
NYSE			
Issues Traded	2,810	2,806	2,816
Rises	884	1,321	1,340
Falls	1,188	846	781
Unchanged	738	639	695
New Highs	32	52	37
New Lows	32	30	37

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close June 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	14⅛	AAR	0.48	3.3	479	571	14⅝	14⅜	14⅜	-⅛
16⅞	13¼	A L Labs R	0.16	1.3	32	70	14⅜	14	14⅛	-⅛
[illegible]	67⅜	AMP	1.68	2.7	22	1685	64⅜	63¼	63⅜	-¾
72¾	52⅛	AMR			29	4133	57¾	57	57⅜	-⅛
5	3⅝	ARX			14	116	4⅜	4¼	4¼	
58⅛	38⅝	ASA	2.00	4.7	28	242	42¾	42⅜	42⅜	
31⅛	25⅜	AbbtL	0.76	2.5	16	5987	31	30⅜	31	+¼
13⅞	11⅜	Abitibi Pr	0.88	4.0	9	172	12¾	12⅝	12⅝	
13¾	11⅛	Acceptcalo			23	z100	12⅜	12⅜	12⅜	
31	24½	ACE Ltd	0.44	1.6	4	1005	28⅞	28¼	28¼	-⅛
12½	10⅞	ACM Gvt In 4	1.08	9.6		144	11⅜	11¼	11⅜	+⅛
16⅛	7⅞	ACM GvOpp x	0.80	9.2		89	8¾	8⅝	8⅝	
18⅝	8⅜	ACM Gvt Sp x	0.96	11.1		66	8¾	8⅝	8⅝	
12	9⅛	ACM Gvt Se x	1.09	10.7		658	10¼	10⅛	10¼	
11¾	8¾	ACM Man x	1.00	11.2		274	9¾	9⅝	8⅝	-⅛
0¾	8	ACM Managd x	0.72	0.5		23	8⅝	8½	8½	
10½	8¾	AcmeClv	0.44	4.2	13	189	10⅝	10½	10½	
9¾	6⅝	Acme Elect			5	130	8⅝	8⅛	8⅛	-⅛
28¾	23	Acordia 4	0.60	2.1	14	14	28½	28½	28½	+⅛
9⅜	5¾	Actava	0.36	4.0	3	253	9	8¾	9	
15⅝	11¼	Acuson			110	140	14⅝	14¼	14¾	-⅛
18⅜	16½	Adams Expr	0.48	2.8	6	116	17⅛	17	17	
84	46½	Adv Micro x	3.00	5.5		198	98	54¾	54¾	-2½
21¾	16¾	AdvMic	3.00	11.4	11	9900	27⅜	25⅞	25⅞	-1⅜
6⅞	5	Advest Grp	0.16	2.8	9	13	5⅞	5¾	5¾	
20	16⅜	Advo Inc	0.16	0.8	115	55	17⅜	16⅞	17⅜	
57¼	48⅝	Aegon ADR	2.95	5.6	11	7	53¼	52¾	52⅞	+⅛
65¾	49¾	AetnaL	2.76	4.0	6	1715	57¾	55½	56⅞	-¾

Continued on next page

NYSE COMPOSITE PRICES

4 pm close June 8

Continued from previous page

52¾	40	Xtra Corp	0.56	1.1	22	225	52	51	51¼	-⅝
25½	20	Yankee Egy x	1.22	5.5	12	18	22½	22⅜	22⅜	
48	33⅞	York Int	0.18	8.4	18	309	38	32½	37⅝	+⅜
8⅞	4⅝	Zapata				58	4¾	d4⅝	4¾	
13½	7	ZenithE			3	2019	9¼	9	9⅛	+⅛
24¼	20⅝	Zenith Nat	1.08	4.1	9	249	u24½	23½	24¼	+¾
7⅞	6⅝	Zenix Inc	0.82	11.1		104	7⅜	7⅜	7⅜	+⅛
18¼	11¾	Zero	0.40	3.2	15	436	12¾	12⅛	12⅜	+⅛
29¾	20⅛	Zurn Ind	0.88	4.1	18	76	21⅝	21¼	21½	
13⅞	12⅜	Zweig Fund	1.19	9.1		124	12¾	12⅝	12¾	
10¾	8⅛	Zweig Totl x	0.84	8.8		365	9½	9⅜	9½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4 pm close June 8

AMEX COMPOSITE PRICES

4 pm close June 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	47	61	11½	11⅜	11⅝	
Pet HeP	1.84	13	2	24	24	24	
Phil LD	0.24	18	642	70⅞	70¼	70⅞	+½

AMERICA

Dow becalmed despite new progress by bonds

Wall Street

US share prices gathered no forward momentum yesterday morning despite renewed progress by the bond market, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 3.08 lower at 3,752.83, while the more broadly based Standard & Poor's 500 slipped 0.56 to 457.65.

In the secondary markets, the American SE composite was down a scant 0.82 at 441.67. The Nasdaq showed the sharpest decline among the leading market indices, falling 5.08 to 734.22 under the weight of slumping technology issues.

Volume on the NYSE was moderate, with 147m shares trsded by 1 pm. Declining issues led advances, 1,001 to 942.

It was yet another day without economic guidance from Washington, hut remarks by two senior officials helped fill the void.

In London, the chairman of the Federal Reserve, Mr Alan Greenspan, said inflation was "clearly restrained", a comment which brought a measure of cheer and moderate gains to the US Treasury market. In stocks, bowever, neither his pronouncement nor the response it elicited in bonds made mucb of an impact.

However, Mr Ron Brown, the commerce secretary, created a minor stir. In Paris, he said trade sanctions against Japan remained an option for Wasbington, although the administration had no current plans to use them.

His statement triggered a fresh decline in the value of the dollar against the yen, and coincided with a 10-point setback in the Dow industrials by 11am. But stocks worked their way back to just below their opening levels as the afternoon session commenced.

Among individual issues, Foodmaker led the NYSE's most active list, as a block of stock worth about 5 per cent of the fast-food operator was sold. Its share price dropped $¾ to $5¾ soon after the sale, which the company said may have been initiated by Tiger Management, a big institutional investor.

In the computer eection, Compaq was garnering lots of unwelcome attention again, even though there was no fresh news behind the selling. The stock droped a further $1⅛ to $35¼, after shedding $1¼ the previous session. IBM dipped $¼ to $62¼ and Apple shed $¼ to $27¼ on the Nasdaq.

However, it was semiconductor stocks which were facing the heaviest pressure on the Big Board. Texas Instruments lost $2¼ to $41¾ and Micron Technologies dropped $1⅛ to $32¾.

Their setback was linked to an announcement by Merisel, a computer products wholesaler, which warned that its earnings outlook had been clouded by an expected slowdown in the US computer market. The stock plunged $6¼ to $10¾ on the Nasdaq, where lt led a hroad pullback in the technology group.

Among the more widely held issues, Lotus Development fell $2¾ to $55, Oracle receded $1⅛ to $36 and Cyrix was marked down $1 to $26.

Canada

Toronto was lower at noon, the TSE-300 composite index losing 30.87 at 4,241.19 in volume of 31.1m shares. Declining issues outpaced advances by 382 to 207, with 320 issues unchanged.

Cott Corp gave up C$3½ in spite of first-quarter earnings that were double last year's level. Newbridge Networks rose C$¾ to C$55¼ on solid fourth-quarter earnings that were in line with expectations.

Venezuela

A technical correction wiped out a part of the recent strong gains on the Caracas stock exchange, with the Merinvest composite index shedding 3.7 per cent to 146.99.

The impact of the downturn was mixed, with benchmark Electricidad de Caracas down 6.00 bolivars, less than 2 per cent, at 406 bolivars, while steel company Sivensa and textile group Mantex, hoth of which had performed strongly on Tuesday, eased 8 bolivars and 3 holivars to 57 bolivars and 30 bolivars respectively.

Brokers attributed the falls to a technical adjustment following last week's rally. Volume was up from Tuesday's level, with some 2m shares changing hands in Electricidad de Caracas.

South African equities gain ground on results

Equities were broadly firmer as the market remained hopeful about prospects for gold bullion and increased foreign interest.

Industrial shares picked up as the market reacted to several results and recent deals, while gold counters improved on a higher bullion price.

The overall index advanced 64 to 5,582, industrials 46 to 6,591 and golds 32 to 2,011.

De Beers gained R2.25 at R114.50, Anglos R4 at R231.50 and Remgro 50 cents at R27.75.

Food group Premier put on 5 cents at R6.45 on the release of year-end results which saw earnings per share lifted by 11 per cent to 31.4 cents.

Industrial holding group Rembrandt firmed 50 cents to R27.75 ahead of the release of year-end results after the market had closed.

Mining bouse Gencor picked up 50 cents at R11.20 after final details were released on Tuesday about the deal between Gencor subsidiary Samancor and Ugine, of France.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: June 3 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: June 3 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(210)	640.24	-0.4	-12.5			
Argentina	(25)	965.37	+0.2	-2.9	532,373.62	+0.2	-2.9
Brazil	(57)	261.43	+8.0	+12.3	690,640,964.5	+13.7	+579.6
Chile	(25)	679.79	+4.0	+23.2	1,147.98	+3.6	+20.4
Colombia[1]	(11)	903.50	+0.67	+40.1	1,347.37	+0.7	+45.3
Mexico	(69)	904.40	-0.9	-10.1	1,296.73	-0.6	-3.9
Peru[2]	(11)	149.85	-1.5	+23.9	200.21	-1.5	+25.9
Venezuela[3]	(12)	621.99	+20.2	+5.1	2,341.24	+17.8	+64.7
Asia	(558)	238.93	-2.8	-17.3			
China[4]	(18)	98.34	-0.9	-34.1	107.61	-0.9	-34.4
South Korea[5]	(156)	129.35	-2.2	+9.6	137.09	-2.2	+9.2
Philippines	(18)	305.93	+4.2	-10.2	391.65	+3.2	-11.8
Taiwan, China[6]	(90)	132.84	+3.5	-1.7	134.90	+4.2	+0.8
India[7]	(76)	129.92	+5.0	+11.5	143.67	+5.0	+11.5
Indonesia[8]	(37)	104.44	-4.0	-16.2	122.73	-4.0	-13.8
Malaysia	(105)	253.40	-4.9	-25.3	242.25	-4.9	-28.1
Pakistan[9]	(15)	358.31	+0.3	-8.2	494.98	+0.3	-6.3
Sri Lanka[10]	(5)	176.92	-1.1	-0.2	190.62	-0.8	-0.2
Thailand	(55)	383.43	-2.9	-19.7	383.65	-2.8	-20.6
Euro/Mid East	(125)	98.55	-1.2	-41.8			
Greece	(25)	212.40	-0.5	-6.7	358.47	+0.6	-6.5
Hungary[11]	(5)	181.98	-2.7	+15.2	238.02	-2.3	+17.9
Jordan	(13)	164.02	-0.6	-0.9	236.18	-0.8	-1.4
Poland[12]	(12)	659.66	-9.8	-19.3	941.84	-9.7	-14.7
Portugal	(25)	113.06	-3.1	-0.7	134.61	-1.8	-2.6
Turkey[13]	(40)	77.93	+1.8	-63.3	1,190.70	+2.4	-18.2
Zimbabwe[14]	(5)	288.68	-0.9	+42.8	339.37	-1.5	+58.9
Composite	(892)	311.26	-0.4	-12.5			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Israel's equity market has been suffering – since the start of the year it has plunged hy nearly 50 per cent. Over the last week trading has been highly volatile and on Tuesday, for instance, the Mishtanim index sank 5 per cent in the morning sesion before staging a technical rally to end a shade higher on the day. Yesterday the market rose S per cent. Brokers attribute the nervousness to a number of factors, inclnding disappointment at the alow level of new investment following the Middle East peace accord signed last year, disappointing first-quarter results and a financial crisis rocking the country's largest health insurance fund.

The market is not included in emerging market indices published by the IFC and Baring Securities, and is largely dominated by domeetic investors. According to research from Merrill Lynch, the country's banks are the largest participants in the market, controlling an estimated 75 per cent of the available shares.

Merrill adds that market capitalisation increased to nearly $51hn in 1993, np from $8bn in 1991 and $33hn in 1992.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Jun 7: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Jun 6: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (69)	173.84	0.0	171.03	115.64	150.88	167.44	0.1	3.49	173.85	170.96	115.77	150.87	167.33	189.15	130.19	134.18
Austria (17)	168.58	0.7	165.86	112.14	146.32	146.05	0.8	1.11	167.46	164.68	111.52	145.32	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (39)	164.65	-0.5	161.98	109.52	142.90	136.56	-0.5	3.96	165.51	162.78	110.22	143.63	[illegible]	[illegible]	[illegible]	[illegible]
Canada (106)	130.57	-0.3	128.46	86.85	113.33	129.65	-0.4	2.61	130.92	128.74	87.18	113.61	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (33)	248.16	0.1	244.15	165.08	215.39	220.55	0.1	1.34	247.88	243.76	165.07	215.11	[illegible]	[illegible]	[illegible]	[illegible]
Finland (23)	140.90	-1.8	138.62	93.73	122.30	163.68	-1.4	0.89	143.48	141.09	95.54	124.51	[illegible]	[illegible]	[illegible]	[illegible]
France (97)	165.54	-0.6	162.86	110.11	143.68	147.79	-0.6	3.04	166.46	163.70	110.85	144.45	[illegible]	[illegible]	[illegible]	[illegible]
Germany (58)	135.85	-1.1	133.67	90.38	117.92	117.92	-1.1	1.75	137.42	135.14	91.52	119.26	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (56)	379.66	-1.6	373.53	252.55	329.53	376.72	-1.6	3.15	385.66	379.26	256.82	334.68	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (14)	182.14	0.5	179.20	121.16	158.09	174.49	0.7	3.48	181.23	178.23	120.69	157.28	[illegible]	[illegible]	[illegible]	[illegible]
Italy (60)	89.16	2.6	87.72	59.31	77.39	107.77	2.6	1.46	86.92	85.48	57.88	75.43	[illegible]	[illegible]	[illegible]	[illegible]
Japon (469)	160.31	1.3	157.72	106.64	139.14	106.64	1.2	0.72	158.26	155.63	105.39	137.34	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (98)	453.58	0.0	446.26	301.73	393.70	453.27	0.1	1.79	453.74	446.21	302.18	393.78	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	2135.26	0.7	2100.75	1420.36	1853.30	7802.17	1.2	1.00	2121.06	2085.84	1412.47	1840.64	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (26)	197.90	-0.7	194.70	131.64	171.77	168.99	-0.7	3.32	199.19	195.89	132.65	172.86	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	69.61	-1.3	68.49	46.31	60.42	62.45	-1.1	3.83	70.50	69.33	46.95	61.18	[illegible]	[illegible]	[illegible]	[illegible]
Norway (23)	186.78	-1.7	183.77	124.25	162.12	183.34	-1.8	1.80	190.02	186.87	126.54	164.90	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	341.90	0.1	336.38	227.43	296.76	241.47	0.0	1.76	341.41	335.74	227.36	296.28	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (59)	268.31	2.2	263.97	178.48	232.88	281.31	1.4	2.22	262.58	258.22	174.86	227.88	[illegible]	[illegible]	[illegible]	[illegible]
Spain (42)	142.23	-1.0	139.93	94.61	123.45	147.32	-1.2	3.93	143.61	141.23	95.63	124.62	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (36)	214.54	-1.9	211.07	142.71	186.21	252.18	-1.5	1.56	218.73	215.10	145.66	189.82	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (47)	160.10	0.0	157.51	106.50	138.96	140.50	-0.1	1.73	160.18	157.50	106.66	138.99	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (205)	185.29	-0.1	182.30	123.26	160.83	182.30	-0.1	4.11	185.58	182.50	123.58	161.05	[illegible]	[illegible]	[illegible]	[illegible]
USA (519)	187.02	-0.1	184.00	124.41	162.33	187.02	-0.1	2.67	187.26	184.15	124.70	162.50	[illegible]	[illegible]	[illegible]	[illegible]
EUROPE (720)	184.06	-0.3	181.43	109.14	142.41	154.47	-0.3	3.02	164.60	161.87	109.61	142.84	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (115)	203.59	-1.4	200.30	135.43	176.71	207.40	-1.1	1.44	206.50	203.07	137.51	179.20	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (750)	168.31	1.0	165.59	111.96	146.09	116.20	0.9	1.04	166.65	163.88	110.98	144.62	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1470)	166.39	0.5	163.70	110.68	144.42	131.68	0.4	1.86	165.64	162.89	110.31	143.74	[illegible]	[illegible]	[illegible]	[illegible]
North America (625)	183.52	-0.1	180.55	122.08	159.28	183.07	-0.1	2.86	163.76	160.71	122.37	159.46	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (515)	148.81	-0.4	146.40	98.99	129.16	136.82	-0.4	2.37	149.43	146.95	99.51	129.67	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (281)	247.56	-0.6	243.57	164.68	214.88	222.31	-0.6	2.87	249.15	245.02	165.92	216.22	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1653)	167.65	0.5	164.94	111.82	145.51	135.04	0.4	1.87	166.87	164.10	111.12	144.81	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1967)	171.86	0.3	169.08	114.32	149.17	148.13	0.2	2.03	171.35	168.51	114.11	148.70	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2113)	172.49	0.2	169.71	114.74	149.72	150.36	0.2	2.23	172.09	169.24	114.60	149.34	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1703)	182.00	-0.2	179.06	121.07	157.97	176.77	-0.2	2.68	182.35	179.32	121.43	158.24	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2172)	173.07	0.2	170.27	115.13	150.21	151.34	0.2	2.22	172.63	169.76	114.96	149.91	[illegible]	[illegible]	[illegible]	[illegible]

Constituent change with effect 14/6/94: Addition: K.P.N. (Netherlands). Constituent change 6/6/94: Name change: Illinois Power to Illinova Corp. (USA). Latest prices were unavailable for this edition.

EUROPE

Reappraisal of banks helps Frankfurt

The markets resumed a more orderly upward path yesterday, *writes Our Markets Staff.*

FRANKFURT recovered from the nervousness which affected the market on Tuesday as investors took the view that the sharp fall in bank shares had been overdone.

The Dax index finished 10.10 up at 2,145.20, but slipped slightly in the after market to 2,143.85. Turnover totalled DM6bn.

Sentiment was also assisted by another slight easing of the repo rate to 5.10 per cent ahead of today's Buba council meeting, although a cut in interest rates today was not expected.

The bank sector had fallen on Tuesday as news broke that executives of a manufacturer of floors for sports halls had been arrested on suspicion of fraud involving up to DM1.6bn.

Analysts commented that hy itself the development was not particularly serious for the creditor banks since a consortium of up to 50 were involved, with no single bank believed to have an exposure in excess of DM100m. However, coming soon after the Schneider affair, and with rumours that another property company might be in trouble, the outlook was less reassuring, they added.

Among the banks, Deutsche eased DM4 to DM737.50, Commerzbank rose DM4.50 to DM330.50 and Dresdner slipped DM2 to DM376.50.

PARIS was driven higher by strength in the bond market, and the CAC-40 index closed the day 23.07 higher at 2,046.81. Turnover was FFr4bn.

Euro Disney came into prominence again as the theme park operator announced the pricing for its rights issue at FFr10, at the top end of analysts' expectations. However, the shares initialy dropped to FFr33 before reviving to close off 90 centimes at FFr35.60.

Générale des Eaux went against the trend, sliding FFr62 to FFr2,344 in spite of denying rumours that two of its directors had been arrested.

AMSTERDAM was lifted by the generally more positive tone on the Continent. The AEX index closed 1.22 firmer at 406.50.

Unilever rose Fl 2.20 to Fl 192.50 as investors returned on the buy side following the consumer gronp's buffeting in recent days over a dispute with Procter & Gamble regarding the merits of detergent products.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jun 8 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1411.14	1414.56	1416.21	1417.63	1418.24	1420.21	1421.07	1420.74
FT-SE Eurotrack 200	1429.23	1434.31	1435.74	1437.58	1438.52	1439.36	1439.66	1439.28

	Jun 7	Jun 6	Jun 3	Jun 2	Jun 1
FT-SE Eurotrack 100	1409.63	1418.61	1403.38	1390.98	1388.97
FT-SE Eurotrack 200	1428.30	1433.30	1417.13	1406.67	1399.53

Base 1000 (26/10/90). Highday: 100 - 1421.92; 200 - 1441.24 Lowday: 100 - 1411.14 200 - 1429.23

MILAN made early progress. In a continuation of Tuesday's rally, before the market ran out of impetus as investors awaited the outcome of the Council of Ministers meeting to discuss measures to boost employment, tax relief on reinvested profits and an anonymous, flat rate tax for dividends.

The Comit Index registered a 9.78, or 1.3 per cent, advance to 760.44 hut the real-time Mibel index, 113 ahead at one stage, finished 2 easier at 12,078.

Montedison picked up L16 to L1,480, after a high of L1,510, in heavy volume of 52.6m shares after tha European Union gave qualified approval to its plastics joint venture witb Shell.

SME, the supermarket and restaurant chain, added L78 to L3,978 after reporting a 42 per cent rise in 1993 net profit.

ZURICH resumed its advance and volume picked up as foreign demand increased. The SMI index added 23.0 to pierce the psychologically important 2,800-point level and finisb at 2,801.1.

Banks encountered some profit-taking but still finished mostly higher. UBS rose SFr4 to SFr1,253 while SBC put on SFr6 to SFr426.

Among chemicals, Sandoz rose SFr18 to SFr745 ln response to positive analysts' comments and Rocbe added SFr50 to SFr6,890.

SMH was marked another SFr9 lower to SFr801 in further response to Tuesday's comments on the outlook.

MADRID edged marginally higher, although Wall Street's early performance chipped away at early gains. The general index rose 1.33 to 324.87.

Banco Santander rose Pta150 to Pta4,850 as Merrill Lynch raised its near term rating on the stock.

STOCKHOLM turned higher in response to declining bond and money market yields and positive trends in other European markets.

The Affärsvärlden index picked up 4.7 to 1,469.1. Trading activity dropped sharply, with turnover down to SKr1.6bn from SKr2.2bn on Tuesday.

Interest rate sensitive bank and insurance stocks lead the advance. S-E-Banken jumped SKr2 or 3.9 per cent to SKr50.50.

ATHENS finished 1.10 per cent lower in active trade of 1.6m shares as investors held back, awaiting details of the government's plans to part privatise the state telecommunications company, OTE, and two subsidiaries of the Public Oil Corporations. The general index fell 9.4 to 845.14.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei average climbs to set two-year high

Tokyo

Equities hit their highest level In more than two years on soaring volume, *writes Robert Patton in Tokyo.*

The Nikkel 225 average registered a low for the day of 20,930.20 in the first few minutes of trading, and then climbed to set the session's high of 21,273.75 just before closing at 21,261.95, a 219.24 net gain and the highest finish since March 2, 1992.

The market shrugged off a sharp rise in the yen triggered by remarks from Mr Mickey Kantor, the US trade representative, that raised the threat of unilateral trade sanctions against Japan. Estimated volume nearly doubled to 600m shares from Tuesday's 305m. First section gainers led losers by 769 to 249, with 163 stocks unchanged.

The capital weigbted 300 index closed 2.54 higher at 309.85 and the first-section Topix index advanced 16.16 to close at 1,697.74. In London the ISE/Nikkei 50 index put on 1.34 at 1,407.16.

The late afternoon rally that took the market to new highs was triggered by life insurers and investment trusts, which had been on the sidelines for weeks. Individual Investors also began to re-enter the market as it gained strength. High-technology and large-capital stocks, market favourites on Tuesday, rose in active trade.

Oki Electric, second on the most-active list, climbed Y32 to Y740, its highest level since 1991. The company gained strength from a report by New Japan Securities that forecast that Oki's recurring profit would reach Y25bn in the year to March 1995. The company had only projected Y10bn.

Fujitsu, the third most active stock, gained Y50 at Y1,150, while NEC picked up Y30 to Y1,240.

Among other high-technology stocks, Sharp was up Y40 at Y1,840 and Matsushita Electric Industrial finished Y30 stronger at Y1,900. Heavy electricals also gathered buyers. Mitsubishi Electric moved ahead Y18 to Y710, Hitachi rose Y20 to Y1,100 and Toshiba gained Y13 at Y842.

IC manufacturers in the US and Japan have been increasing production capacity for advanced microprocessors and memory chips. Forecasts that Japan's four leading semiconductor manufacturing equipment makers would profit strongly from expanded demand attracted buying. Nikon was up Y30 to Y1,080, Tokyo Electron rose Y20 to Y3,180, Kokusai Electric gained Y50 at Y2,120 and Advantest added Y60 at Y3,430.

Car makers were strong. Fuji Heavy Industries, Mazda, and Suzuki set new 1994 peaks for the second day in a row. Fuji moved up Y4 to 474, Mazda gained Y5 at Y626, Suzuki appreciated Y30 to Y1,510 and Nissan rose Y20 to Y886.

In Osaka the OSE average reached 23,452.63, up 249.82, in volume of 89m shares.

Roundup

There was no common theme to trading in the Pacific Rim.

HONG KONG ended firmer but trading was cautions as the market waited for the government's package to cool the overheated housing market, announced after the market closed. The Hang Seng index gained 43.30 at 9,291.18.

In the event, the package, which included a ban on the resale of unfinished flats, was not expected to have much impact on property or share prices.

Among property issues, Cheung Kong was steady at HK$38.25, New World Development improved 50 cents to HK$25.50 and Henderson Land rose 75 cents to HK$41.25.

SYDNEY was helped higher by firmer base metal prices and sustained buying in blue chips, The All Ordinaries index closed with a rise of 9.5 at 2,079.7.

In the resource sector, CRA jumped 32 cents to A$19.06: its offshoot, Coal and Allied Industries, announced plans to develop Vietnam's coal resources.

SEOUL saw a technical rebound after the recent tensions over Nortb Korea's nuclear programme which took the composlte index 11.30 higher to 933.02.

BOMBAY recovered from a an early downturn to close higher after an unexpected announcement of a bonus issue by Tata Tea triggered a spate of buy orders. The BSE 30-share index added 16.08 at 4,049.74 as Tata Tea surged Rs160, or 23 per cent, to Rs830.

MANILA's four-day slide, which saw prices decline by 3.8 per cent, was reversed by a round of bargain hunting, pushing the composite index 22.60 bigher to 3,017.15.

TAIPEI rose, but closed off the day's best, in heavy trade in response to Tuesday's news that Taiwan's exports hit a record high of $8.5bn in May. The weighted index ended 28.73 up at 6,098.58, after touching 6,153, in turnover that rose to T$83.8bn from T$66.2bn.

SINGAPORE shares closed flat in thin dealings, but Malaysian-OTC shares were hard hit by reports that Prime Minister Mahathir has set up a committee to look into money laundering in Malaysian listed companies. The Straits Times Industrial index slipped 1.56 to 2,265.65.

KUALA LUMPUR drifted lower ln sluggish trading which left the composite index down 3.11 at 969.31.

Among gainers, however, wss Malakoff, which rose 91 cents to M$5.45 on reports that tbe company would be involved in an independent power project in Thailand.

BANGKOK remained worried about political stability, sparked by wrangling over constitutional reform, and the SET index lost 12.98 at 1,370.41 in heavy turnover of Bt10.1bn.